



**PATTERN OF PUBLIC EXPENDITURE AND
ECONOMIC DEVELOPMENT IN UTTAR
PRADESH—1960-61 to 1973-74**

ABSTRACT

THESIS SUBMITTED FOR THE DEGREE OF

Doctor of Philosophy

IN

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ABSTRACT :

The planning process in India has had a profound and wide ranging impact on the role, function & economic activities of the government at all levels. A progressively increasing percentage of the National Income is being spent today in financing increasing expenditure of the Government and fulfilling the various social & economic objectives. Extension in Government activities has led to an increase in public expenditure. Not only the size of Public Expenditure has grown to an unprecedented levels but its pattern has also undergone great changes. Traditional items have been quantitatively insignificant while new items of expenditure are given more importance. Public expenditure as an important fiscal instrument in Public Finance did not receive sufficient timely attention of the scholar to make the study of its different aspects and relating significant issues in India until independence. After independence some theoretical studies ^{been} have/made by various individuals on public expenditure but little work has been done to analyse it empirically. Most of the work was discussed descriptively rather than analytically. Whatever empirical analysis was done in India it was at national level and not ^{at}/state level. The study of public expenditure is necessary to discern the impact of the expenditure of a particular state government.

The aim of the present study is to fill the gap by empirical analysis of public expenditure and trace the pace of

development on the size and pattern of public expenditure in U.P., since the end of the Second Five Year Plan. The period has been chosen in view of the fact that significant state participation was unknown before that period. It does not propose to assess particular expenditure policies and programme but merely aims at an appraisal of how the expenditure in state behaved in terms of size pattern and composition with relation to the level of economic development and find out accomplishment, persistancy and short comings. The study proposes to undertake a two stage analysis.

In the first stage (I) the state government budget is analysed in particular respect to the ^{total} expenditure and relative importance of each item.

In the second stage (II) pace of development is related to the size and pattern of public expenditure in the state. The objective has been to highlight the pace of development only in those fields on which public expenditure was incurred through the budgetary operations. As such the financial operation of public corporation is not included in our study.

In the first chapter we have briefly reviewed the overall and consolidated budgetary position of U.P. state. To judge the satisfactory position of U.P. state's budget we have made comparison with other states. The increasing activities of the government has changed the character of U.P.'s budgets. They have grown bigger & bigger. In order to understand the significance of

budgetary instruments in the economy, an attempt has been made to analyse the size of the budget in relation to National Income and disposable income, in terms of volume of receipts and disbursements. All these taken together enabled us to judge the state government's role in increasing the economic development with social justice and reasonable price stability. In the following chapter an attempt has been made to highlight a detailed examination of the composition and pattern of public expenditure in U.P. state. What were the overall trends in public expenditure in the fourteen years of planning and what were the directions of change, have also been analysed in the chapter. Increasing participation of the state government in economic activities was responsible for much of the rise in public expenditure. Not only the size of public expenditure has grown to an unprecedented extent but its pattern has also changed. It was also examined that to what extent these changes were the result of deliberate policy formulations and historic behaviour only functional components of state expenditure have been analysed and not the policy objectives such as poverty^{and} reduction of regional disparities. An attempt has also been made to categorise expenditure in relation to state domestic product and total state expenditure. In order to find out the best performance of public expenditure, we have done a comparative study of U.P. with all states taken together. Per capita expenditure has been taken to eliminate the impact of population, while price effect is eliminated by converting the expenditure at constant prices, using whole sale price index. (Base 1961-62) as deflator.

In third chapter we have made a detailed analysis of resources of financing the state government expenditure during the period 1960-61 to 1973-74. In a federation like India, the financing of development plans in public sector depends to a great extent on the mobilisation of resources by state governments. In this chapter an attempt has been made to ascertain the extent of success in raising additional tax revenue & their sources. This study also attempts to examine the causes for not achieving the target of additional taxation and analyse the extent to which the increase in revenue was due to enhancement of rates and widening of tax-base. How the relative growth of different taxes changed during the study period, has also been explained in this chapter. To study the relative importance of the resources in U.P. state, we have calculated categorised sources in terms of aggregate receipts. The conclusion drawn in this chapter has enabled us to observe the revenue constraints on development expenditure.

The rapid expansion of government expenditure both absolutely and as a percentage of state domestic product, highlighted the increasing state's role in the economic development of U.P. However, the true picture of the development can not be drawn unless the comparison of expenditure is made in terms of physical achievements. In chapter IV an attempt has been made to trace the pace of development in U.P. during the period of fourteen years. In order to examine the pace of development on the size and pattern of public expenditure we have judged the development only in those broad sectors on which public expenditure was incurred through the budgetary operations. For this, first of

all we have made an analysis of the determinant of state's income and its relation to public expenditure the increase in per capita income and development are not necessarily synonymous terms and the former cannot be considered as an indicator of the latter. How far public expenditure succeeded in attaining higher level of production and growth has been examined in this chapter also. If not then what were the causes behind that. To what extent they were on account of faulty policy execution, excessive wastage in public expenditure, natural calamities or shortage of investment. We have also done a comparative study of U.P. at National level. The conclusions drawn in this chapter have enabled us to observe that the pace of development on the size & pattern of public expenditure were far from satisfactory.

This study revealed that government expenditure had grown at a faster rate due to the increasing activities of the state government. This is in corroboration with the Wagnerian doctrine of increasing state activities. After removing the permanent influences population and price changes we found that public expenditure increased during the period of 1960-61 to 1973-74. In a study conducted by Peacock and Wiseman, it was shown that public expenditure increased in jerks while in our study public expenditure increased smoothly. The displacement effect found in our study was different from that which was seen in the original Peacock and Wiseman hypothesis.

Enormous increase in public expenditure though critically observed generally has some justification. But in case of non-

development expenditure, control of expenditure particularly in respect of debt services cannot be avoided. A high power committee should be set up to go into the various aspects of the state government expenditure. In the critical study of structure and pattern of public expenditure it has been found that some failure in various fields were taking but it was not ^{given} timely adequate attention. Careful examination of the budgets of various departments can lead to diversion of men and sources. For making the expenditure policy effective, the problem of less production from agricultural and industrial sectors could be solved from different angles. The leakages in the state expenditure should be plugged and wastages firmly stopped or at least minimised. Planning Commission is generally criticised for the delay in completion of projects, lack of experience and sense of responsibility, routine handling of important plan projects, delay in issuing sanction even for budgeted expenditure, intractable expenditure all these factors has made the expenditure policy weak. It was generally observed that the power and irrigation project mostly incurred losses, our study also showed a similar pattern. Lack of proper controls and cascading of expenditure has also caused wastage of money. The question of formulation of a separate high powered committee to critically assess the state expenditure has been raised several times but no notice has been taken though it is felt that such step would be very useful to conform the desired goals of economic development. Such a Committee could report as to how economy in expenditure could be implicated, keeping efficiency and growth of economy into consideration.



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/ DEDICATED TO MY PARENTS /

A C K N O W L E D G M E N T

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CHAPTER - I

SIZE AND STRUCTURE OF PUBLIC BUDGET

It is not the size alone which is to be considered in meeting of definite budgetary goal but its structure too is important for this purpose. Size of the budget simply refers to volume, and quantity while structure throws light upon the minute and detailed break up of the planned projects. 'It is the plan which furnished the blue print a short of layout of how economic development has to be planned and how the superstructure has to be created. For erecting the superstructure the prime purpose of a budget is to supply all the materials, brick and mortar¹'. The size of a budget is mostly governed by state income, its distribution pattern, level of economic activity, financial resources, size of public and private sectors and governments' responsibility in performing the various functions like law, order and other administrative services. On the other hand structure of the budget generally depends upon the existing prices of different commodities, earnings of factor inputs in different occupations, private savings, investment and standard of living of different classes of the society.

1. Gupta D.N., Government Budgetting with especial Reference to India, Asia Publishing House, Lucknow, 1967, p.210.

In this chapter an attempt has been made to highlight the structural changes and a change in the size of budgets of Uttar Pradesh since 1960-61 to 1973-74. The size of the budget is viewed in relation to state income and disposable income in terms of volume of receipts and disbursements in order to understand the significance of budgetary instruments in the economy.

The budget gives a complete picture of the estimated receipts and expenditure of the government. Budget is divided into two parts, that is, the revenue budget and capital budget. The revenue budget deals with the receipts from taxation and profits of public enterprises etc. and the expenditure incurred out of them. The capital budget is the statement of all capital expenditure and the borrowings made internally.²

SIZE OF BUDGETS :

The character of the state budget significantly changed due to the urge of planning for economic development, consequently the budget grew bigger and bigger every year. We have examined here how far the budgets of U.P. State had ascended in their size over the period of 14 years i.e. from 1960-61 to 1973-74 in absolute term and in terms of state income. (see table No. 1.1)

2. Venkatraman. K., State Finances in India-A prospective study for the plan period, Allen and Unwin, London, 1963 p.26-40.

During the period 1960-61 to 1973-74 the size of revenue and capital budget taken together increased nearly 5 times more. Though the revenue budget increased nearly five times, the size of capital budget went up more than six times. This indicates that the government made more expenditure on capital projects. There has been growing importance of public sector. The share of the U.P. State in the total income also increased during this period. The share of the U.P. State in the total income was 11.02 percent in 1960-61 and ⁱⁿ 1973-74 this share rose to 16.3 percent (Table 1.1). During this period the total income had risen to 254.4 percent at a current prices level while the size of the budget increased by 431.3 percent. This clearly indicates that the government had played a leading role in economic development of U.P.

SIZE OF REVENUE :

Over the entire period under study the revenue of U.P. State increased from Rs. 13,532 lakhs to Rs. 66719 lakhs five times more between 1960-61 to 1973-74. It increased nearly 393.1 percent. During the same period revenue of all the state governments taken together increased from Rs. 101430 lakhs in 1960-61 to Rs. 555267 lakhs in 1973-74 (Table No. 1.2). It increased ^{to} 439.8 percent. During the third plan period the

TABLE NO. 1.1**SIZE OF BUDGETS AND THEIR SHARE IN TOTAL INCOME
(UTTAR PRADESH)**

Rs. in Lakhs					
Year	Size of Revenue Budget	Size of Capital Budget	Total Size	Total Income (at current prices)	(4) as % of (5)
1	2	3	4	5	6
1960-61	13532	6584	20116	184313	11.0
1961-62	13660	7283	20943	193690	10.8
1962-63	16199	10402	26601	200127	13.3
1963-64	17414	9832	27246	222187	12.2
1964-65	19653	13564	33217	288221	11.5
1965-66	22423	17273	39696	298673	13.3
1966-67	25204	15967	41171	350916	11.7
1967-68	29910	20216	50126	407258	12.3
1968-69	31947	25719	57666	382882	15.0
1969-70	36639	22666	59305	418617	14.1
1970-71	39178	24720	64068	441541	14.5
1971-72	44712	30352	75064	463599	15.2
1972-73	47707	27141	78849	575641	13.7
1973-74	66719	40161	106880	653207	16.3
Percentage increase in					
1973-74 over 1960-61	393.1	509.9	431.3	254.4	

Source : Budgets data from RBI Bulletins, various issues, Income data from State Income estimates, Uttar Pradesh 1960-61 to 1975-76 Bulletin No. 161.

revenue of U.P. State increased by 64 percent while that of all states taken together increased by 72 percent³. During the Fourth Plan period, the revenue of U.P. State increased by 109.9 percent while that of all states increased only to 82.6 percent. Thus the performance of U.P. State in respect to revenue, had been much better as compared to the over all record of all states taken together during the Fourth Plan period which was not so good during the second plan period.

SIZE OF EXPENDITURE :

The size of revenue increased 5 times more during the 14 years. The size expenditure of U.P. government increased from Rs.13128 lakhs in 1960-61 to Rs.63635 lakhs in 1973-74 i.e. 384.7 percent, in the same period the expenditure of all the states taken together increased to 472.5 percent (Table No. 1.2). During the third plan period expenditure in U.P. State increased from Rs.13602 lakhs to Rs.21901 lakhs i.e. 62 percent. At the same period expenditure of all states taken together increased from Rs. 112127 lakhs to Rs.189215 lakhs accounting 69.6 percent. While during the period of Fourth Five Year Plan expenditure in U.P. increased from Rs. 36639 lakhs to Rs. 63635 lakhs i.e. 73.7 percent, expenditure of all the states taken together increased from Rs. 310342 lakhs to Rs. 566928 lakhs i.e. 82.8 percent during the same

3. Calculated on the base of table No. 1.2

period. Thus the position of expenditure in U.P. had been lower in comparison to all states taken together. It was a good position and should be maintained.

SURPLUS OR DEFICIT :

Taking both revenue and expenditure under revenue account it can be seen from table No. 1.2 that U.P. had a deficit in 5 years out of 14 years under study. All the states taken together had a deficit in seven years and surplus in 7 years. Thus the position of U.P. in revenue account in comparison with all other states put together had been better, as U.P. had a surplus budget in eleven years.

RECEIPTS ON CAPITAL ACCOUNT :

The size of capital receipts in U.P. increased from Rs. 6584 lakhs in 1960-61 to Rs. 36055 lakhs in 1973-74 i.e. 447.6 percent, nearly 5 times more. During the period of Third Five Year Plan the size of all capital receipts increased from Rs. 7157 lakhs to Rs. 16723, Lakhs more than doubled i.e. 133.3 percent, while in case of all states its size increased from Rs. 69992 lakhs to Rs. 130903 lakhs less than double accounting i.e. 86.9 percent. During the annual plan period the size of receipts in U.P. state increased from Rs. 15967 lakhs to Rs. 22050 lakhs accounting to 38 percent.

During the period of fourth five year plan it increased from Rs. 22666 lakhs to Rs. 36055 lakhs amounting to 59 percent (Table No. 1.2). Highest percentage increase in capital receipts had taken place during the period of Third Five Year Plan in U.P. While in case of all States taken together highest increase was during the period of Fourth Five Year Plan. It increased only 35 percent against 59 percent in U.P. State. The performance of U.P. was much better in comparison to all States taken together during the period spanning all the plans.

TOTAL DISBURSEMENTS :

As far as the size of total disbursements is concerned it increased from Rs. 5359 lakhs in 1960-61 to Rs. 40161 lakhs in 1973-74, in U.P. It increased 7 times more, while all the States taken together marked an increase of just 4 times more. Total disbursements during the same period increased by 585.9 percent in case of U.P. against 315.9 percent of all the States taken together. During the Third Plan Period the size of total disbursements increased from Rs. 7282 lakhs to Rs. 17273 lakhs, more than doubled. It increased by 57.8 percent against 49.4 percent in comparison to all the States. In all states it increased from Rs. 66356 lakhs to Rs. 132418 lakhs more than double as in case of U.P. State. During the

Annual Plan period it increased from Rs. 15252 lakhs to Rs. 25713^{lakhs} while in case of all the states taken together it increased from Rs. 114562 lakhs to Rs. 166723 lakhs. During the period of the Fourth Five Year Plan the size of total disbursements increased from Rs. 21769 lakhs to Rs. 40161 lakhs. The size nearly doubled during this period as it happened in all states taken together when it increased from Rs. 168752 lakhs to Rs. 259264 lakhs (Table No. 1.2). Percentage increased in U.P. during this period was 84.8 against 53.6 percent in all the states taken together. The size of receipts on capital account increased 5 times during the period of fourteen years i.e. from 1960-61 to 1973-74 while the disbursements increased 7 times during the same period. In case of all the states taken together, receipts and disbursements increased only four times more. As far as the size of receipts is concerned, U.P. state showed a good performance of 5 times increase but disbursements showed a bad situation, 7 times increase against 4 times increase in case of all states taken together.

SURPLUS OR DEFICIT :

We have gone through the size of capital receipts and disbursements for 14 years i.e. 1960-61 to 1973-74. It showed that the total receipts remained below the total disbursements,

during most of the years. U.P. State had a deficit in 7 years out of 14 years while in all states it was 9 times deficit budget during the same period. The position of U.P. had been better than all the states taken together. From this point of view the Fourth Five Year Plan period was the worst for U.P. when it had 4 times deficit and the best period was the Third Plan period when it had three surplus budgets.

OVERALL SURPLUS OR DEFICIT :

After taking into account the surplus and deficit on revenue and capital account and remittances net, U.P. had a ~~sur~~ overall surplus budget in 8 years out of 14 years i.e. from 1960-61 to 1973-74. It is a good indication for making an effort on the part of the state to secure and maintain such condition for surplus budgets for different years. Its position becomes more clear when we compare it to all the states taken together, surplus or deficit pursuits. All states had a surplus budget only in 4 years out of 14 years. It seemed that the presentation of deficit budget became a sort of permanent feature for most of the years. During this period the state-wise surplus or deficit position is evident from table No. 1.3. It shows that Punjab and Rajasthan had been worst having a deficit budget for 9 years

Table No. 1.3 : Cumulative Surplus(+) or Deficit of Individual States

(Rs in crores)

S T A T E S	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
1. Andhra Pradesh	-0.1	-0.1	-1.6	+6.5	—	-9.3	-2.5
2. Assam	-8.5	+1.1	+2.2	+0.5	+5.6	-2.8	+8.8
3. Bihar	-12.4	-6.6	+0.3	+7.4	+0.5	-2.0	-3.9
4. Gujarat	-3.3	+3.3	-9.0	-12.5	+0.4	-13.9	-4.3
5. Jammu & Kashmir	+0.3	+0.6	-1.0	-10.3	+2.9	-1.7	+0.4
6. Kerala	+0.2	-3.9	+4.7	-5.4	+10.3	+6.0	-11.9
7. Madhya Pradesh	-0.9	-4.4	+1.3	-2.9	+5.9	-7.3	-5.5
8. Tamil Nadu	-8.4	-7.4	-2.0	+1.6	+5.5	-0.1	-7.0
9. Maharashtra	-19.1	+5.7	+1.4	+24.4	+4.3	-54.2	-11.6
10. Mysore	—	-6.0	-19.1	+2.6	-0.3	-5.9	-11.3
11. Orissa	-1.0	+4.3	+4.3	-13.9	-0.1	+1.5	-0.3
12. Punjab	-13.2	-7.2	-0.3	-3.3	-8.6	+11.2	+3.5
13. Rajasthan	-0.1	-0.1	-1.2	+3.7	+0.2	-3.4	+0.8
14. Uttar Pradesh	+11.3	-2.3	+0.1	-0.03	+3.6	+5.9	-10.2
15. West Bengal	+0.7	+10.1	-16.2	+14.3	+3.8	+8.8	-16.3

S T A T E S	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
1. Andhra Pradesh	+4.9	-5.3	-9.8	-34.4	-24.8	+71.0	+22.4
2. Assam	+3.0	-10.1	+20.1	-5.4	-7.8	+33.0	-23.1
3. Bihar	-2.3	+0.9	+1.0	-17.4	-16.2	+44.7	-45.0
4. Gujarat	-18.9	+0.3	+6.0	-11.5	+2.8	-15.2	+0.9
5. Jammu & Kashmir	-5.4	-1.9	+0.3	+0.3	-1.6	-0.1	-7.4
6. Kerala	-2.6	+0.5	-5.5	-9.1	-36.5	+49.0	-22.3
7. Madhya Pradesh	-4.1	+9.7	+14.1	+7.7	+9.4	-2.0	-35.0
8. Tamil Nadu	-1.0	+1.7	+5.7	-15.1	-33.9	-53.2	+1.6
9. Maharashtra	+1.2	+11.2	-36.3	-6.3	+7.8	-3.1	-32.3
10. Mysore	+4.9	+4.7	+0.7	-12.2	+36.0	—	—
11. Orissa	+7.0	-8.0	+28.0	+3.6	-18.9	+7.8	-6.6
12. Punjab	-10.9	-7.8	+5.5	+10.1	-3.9	-6.2	-59.5
13. Rajasthan	-0.1	-1.1	+10.8	-46.0	-20.8	+39.4	-5.3
14. Uttar Pradesh	+4.5	+0.6	+26.0	+1.31	-34.5	-44.9	-16.0
15. West Bengal	+4.5	+11.6	-14.2	-3.6	-27.8	-15.9	+5.6

SOURCE: Reserve Bank of India Bulletins various issues.

out of 14 years. Whereas in U.P. the deficit budgets were carried for only 6 years (Table No. 1.2). Thus the over all position of U.P. both in absolute and relative term had been satisfactory. However, it can not be ignored that its position of remittances (net) and its deficit on capital account were a matter of concern to the State.

OVERALL BUDGETRY POSITION OF U.P. STATE GOVERNMENT
AS INDICATED BY CASH BALANCES :

Now we shall analyse the overall budgetry position by taking into account cash balances both in U.P. and all States taken together. Cash balance consists of three items opening balance, closing balance and surplus or deficit. The opening cash balance of the government account, added or subtracted, by the surplus or deficit in the overall budgetry position of the year, produces the closing cash balance for the year. A surplus in revenue account, if other overall budgetry position remains the same, increases the cash balance. A deficit in revenue account will therefore be financed by a drawl on the cash balance. Over all budgetry surplus will also increase the cash balance and overall deficit will decrease the cash balance.⁴

4. Venkataraman, K : State Finances in India - A prospective study for the plan period, Allen and Unwin, London, 1968, p. 136.

The account of cash balance reflects the overall transaction of the year. Cash balance varies from day to day. These variations are known as the ways and means of position of the state government. Each state government keeps an account of its cash balance in the central account section of Reserve Bank of India which communicates the cash balance position to the state government every day. It also invests the balance or discharges the securities according to the instruction of the state government. With reference to the securities that a state government has and other considerations, the Reserve Bank of India by agreement with the state government fixes an authorised overdraft. Table No. 1.4 provides details about the cash balance position of all the states and U.P. The cash balance position indicates that U.P. had a surplus in 7 years and a deficit in 7 years. Table No. 1.4 indicates that cash balance position of all the states taken together had a surplus in five years and a deficit in 9 years.

OVER ALL BUDGETRY POSITION OF U.P. STATE :

Now we shall analyse in brief the manner and composition of receipts and disbursements since 1960-61 to 1973-74. In the words of Jain Rajendra 'The effectiveness and thrust of the budgetry structure is not to be judged merely by the quantum or magnitude of revenue and expenditure. The most

TABLE NO. 1.4

**OVERALL FINANCIAL POSITION OF U.P. AND
ALL THE STATE GOVERNMENTS IN INDIA (As
indicated by Cash Balance)**

Year	Opening Balance		Closing Balance		Rs. in Lakhs	
	U.P.	All States	U.P.	All States	U.P.	All States
1	2	3	4	5	6	7
1960-61	- 64	- 464	+ 123	- 93	+ 187	+ 370
1961-62	+ 123	- 92	+ 373	- 18	+ 250	- 094
1962-63	+ 80	- 185	+ 67	+ 962	- 93	+ 1144
1963-64	- 93	+ 1673	- 90	- 164	- 003	- 1835
1964-65	+ 84	- 954	+ 439	+ 1680	+ 355	+ 2643
1965-66	+ 439	+ 1682	+ 1078	+ 2519	+ 589	+ 834
1966-67	+ 61	+ 2261	+ 81	- 361	+ 020	- 2621
1967-68	+ 1085	- 59	+ 1532	- 1926	+ 417	- 1862
1968-69	+ 1533	- 2255	- 1159	- 2625	+ 058	- 391
1969-70	+ 95	- 2617	- 3872	- 4123	- 3967	- 1512
1970-71	+ 217	- 1739	+ 86	+ 3874	- 131	+ 5600
1971-72	+ 880	+ 4017	- 2574	- 2265	- 3454	- 6273
1972-73	- 3567	+ 701	- 7956	+ 12444	- 4389	- 11745
1973-74	- 3152	- 9632	- 4003	- 16054	- 1103	- 6956

Note : Data given in earlier years are not strictly comparable with those given in the year owing to changes in classification.

Source : R.B.I. Various Issues.

important is the volume in which they are raised and spent the 'manner' in which they are raised and disbursed and the 'source' from which revenue are raised and ways in which they are spent.⁵ In the light of facts given in table No. 1.5 we find that while the size of aggregate receipts increased by 5 times during 1960-61 to 1973-74, the revenue and capital receipts showed an increase of 5 times too. In 1960-61, 67 percent of aggregate receipts was obtained from revenue receipts and 33 percent from capital receipts. In 1965-66 i.e. the end of Third Five Year Plan period, this percentage declined to 57 and 33,⁶ in case of revenue and capital receipts respectively. Towards the end of the Fourth Plan period its position was just the same as it was in the end of Second Five Year Plan. The proportion between revenue and capital receipts as the share in total budgetary resources almost remained the same.

'Resources transferred from the centre' increased more than five times and 'state's own resources' increased less than five times. No significant increase had taken place, except, shared taxes which showed an increase of nine times. The size of grants-in-aid and the size of 'loans' (gross) from centre', both showed an increase of only four times. During the period under study (1960-61 to 1973-74) the most significant

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5. Jain Rajendra : State Finances in India, progress publishers Motia Park, Bhopal 1978 p.19.
 6. Calculated on the base of table No. 1.5.

Table No. 1.5 : Overall Budgetary Position of U.P. from 1960-61 to 1973-74.

(Rs in lakhs)

I T E M S	1960- 61	1961- 62	1962- 63	1963- 64	1964- 65	1965- 66	1965- 67
I-AGGREGATE RECEIPTS(A+B)							
A. Revenue Receipts							
1) States own Revenue Receipts(a+b)	20116	20827	25266	26749	33217	39146	41140
a) Tax Revenue	13532	13660	14864	16917	19653	22423	25173
b) Non-tax Revenue	10535	12070	13508	15448	15758	20535	22826
11) Resources Transferred from the centre(c+d)	5695	7232	7502	9275	7651	11367	12870
c) Shared Taxes	4860	4838	6006	6173	8108	9168	9956
d) Grants in aid	2977	5227	5633	5548	7013	7759	9421
2141	2936	2837	2956	2956	3513	7325	5081
6584	2991	2796	2592	3090	3500	4034	4340
B. Capital Receipts (i+ii)							
1) State own capital receipts	2352	2554	8245	3090	5711	7552	5681
ii) Loans from the Centre	4650	5403	2157	6742	7853	9176	10286
II-AGGREGATE DISBURSEMENTS							
1) Development Expenditure	18987	20835	25271	26751	24364	39264	40456
ii) Non-development Expenditure	7617	9651	12677	12585	14568	12099	17457
iii) Repayment of Loans to Centre	8074	6820	7663	8712	9086	10424	11787
iv) Loans & Advances by State Government	1064	1589	1913	1641	2338	3016	2754
v) Loans and Advances to third parties	1647	2653	2185	2772	5899	13370	7670
vi) Discharge and Permanent Debt	25	-	-	-	-	-	-
C. Remittances							
680	680	680	790	1115	7023	NA	NA
+7	-165	-	-	-	472	+709	-
III-Overall Surplus(3) or Deficit	+1136	-232	-13	-3	+355	+589	+20

I	T	E	M	S	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
I-AGGREGATE RECEIPTS (A+D)											
A. Revenue Receipts					49103	53997	54441	58767	68741	70459	102774
1) States own Revenue Receipts (a+b)					29910	31947	31775	39042	44712	45893	66719
a) Tax Revenue					23804	24794	25778	27138	28987	29171	47355
b) Non-tax revenue					12284	13399	13417	13451	15571	14913	22561
					11520	11395	12361	13681	13416	14258	24794
ii) Resources Transferred from the Centre (c+d)					11068	11987	11686	17869	22054	23147	28704
c) Shared Taxes					6106	7196	7448	11904	15755	16722	19364
d) Grants in aid					4962	4792	6908	5960	6329	6425	9340
B. Capital Receipts (i+ii)					19193	22050	22666	19725	24029	24566	36055
i) State own capital receipts					8232	11718	10702	7648	12316	11507	17720
ii) Loans from the Centre					10961	10332	11964	12077	11713	9059	18335
II-AGGREGATE DISBURSEMENTS											
i) Development Expenditure					48048	55088	58408	58895	72178	73562	98846
ii) Non-development Expenditure					19326	22856	24174	24293	30650	34120	57108
iii) Repayment of Loans to Centre					13418	15315	16460	16060	21513	22841	23284
iv) Loans and Advances by State Government					4080	7096	7856	7720	8339	7862	9741
v) Loans and Advances to third parties					9974	8578	8605	9540	13215	9155	11402
vi) Discharge and Permanent Debt					70	98	120	124	120	131	567
C. Remittances					1180	1198	1233	1161	1310	967	402
					608	-1142	+12	+15	+1767	-23	-
III-OVERALL SURPLUS (+) OR DEFICIT					+447	+58	+2513	+191	-3454	-4389	-1603

SOURCE : RESERVE BANK OF INDIA BULLETIN, VARIOUS ISSUES

increase was in 'State, as own capital receipts' which was about 9 times followed by 5 times increase in State's own revenue receipts.

A closer view of the pattern of public receipts and its main components indicate that significant changes in the structure of state's own revenue had taken place. In 1960-61 nearly 54 percent of state's own revenue was obtained from tax-revenue and 46 percent from non-tax revenue. This percent increased to 55 percent in case of taxes but declined to 45 percent in case of non-tax revenue in the end of Third Five Year Plan period i.e. 1965-66. It again reached the same level in the last Annual Plan (in 1968-69) as it was in 1960-61 i.e. 54 percent of tax and 46 percent of non-tax revenue in terms of state's own revenue. In 1973-74 its structure changed totally and 46 percent of state's own revenue was obtained from non-tax revenue and 54 percent obtained from tax revenue.⁷

The size of total expenditure increased in 1960-61 from 15791 lakhs to Rs. 30625 lakhs, in 1973-74. It increased 4 times more during this period amounting an increase of 410.5 percent. One welcoming feature of the budget structure was that the size of development expenditure showed an increasing trend. It increased from 43 percent of total expenditure in 1960-61 i.e., the end of Second Five Year Plan to 54 percent in 1965-66 and

7. Calculated on the base of table No. 1.5.

to 60 percent in 1968-69. It reached its peak of 71 percent in 1973-74.

The most striking feature of expenditure structure was that the proportion of non-development to total expenditure declined from 52 percent in 1960-61 to 46 percent in 1965-66 and to 40 percent in 1968-69. It remained at only 29 percent till the end of the Fourth Plan period i.e. 1973-74. It reveals that the change had taken place in the structure of public expenditure. In 1960-61, 50 percent of total expenditure was made on development and 50 percent on non-development whereas in 1973-74, 70 percent of total expenditure was made on development services and only 30 percent was made on non-development services. The size of development expenditure increased 8 times more during 1960-61 to 1973-74, while the size of non-development expenditure increased only 3 times more. It showed the increasing activities of the state government in the development of the economy. The most remarkable decline in Loans and Advances, and Repayment of loans to the Centre was noticed in 1973-74 over 1960-61. The percentage increase that took place in 1965-66 over 1960-61 was 183.4 and 711.3 percent respectively. It declined to 37.3 and 36.3 percent in 1968-69 over 1965-66. It further declined to 25.2 and 33.8 percent in 1973-74 over 1968-69.

A GLANCE UPON ANNUAL BUDGETRY POSITION IN U.P. STATE :

The budget for 1960-61 showed an overall surplus budget of Rs.1136 lakhs, placed revenue to Rs 13532 lakhs and expenditure Rs 13128, leaving a surplus of Rs 404 lakhs. This increase was due to the large resources transfer from centre to state in order to compensate them for the shortfall in their share of income tax. Total revenue expenditure accounted Rs 13128 lakhs in 1960-61⁸. A large part of the increase was accounted for expenditure on non-developments schemes. Non-development expenditure accounted Rs 8015 lakhs while development expenditure accounted Rs 5114 lakhs in 1960-61. Under non-development, the main items that showed an increase were (1) Debt services (Rs 1014 lakhs) (2) Collection of taxes and duties (Rs 800 lakhs) Civil Administration (Rs 1954 lakhs)⁹. Against this there was a decreased amount of Rs 169 lakhs under natural calamities. The budget for 1961-62 was of special significance, since it marks the beginning of the Third Plan. The phenomenon of the overdraft of the state on Reserve Bank of India began in the first year (1961-62) of the Third Plan, this became a permanent feature during the 3rd Plan and the size of overdrafts increased from year to year. The budget for 1962-63 had a surplus budget of Rs+13 and 1963-64 had a deficit budget of Rs 3 lakhs respectively. Apart from the pressure of the plan expenditure, the excess of expenditure over revenue had mainly been due to the fresh additional commitments by way of increased emoluments to state employees and the Chinese aggression in 1962.¹⁰ The programme for extension of primary education also put some more strain on state Government with regard to the ways and means. It was obvious that the difficulties in the ways and means of the state caused a wide disequilibrium in the State Finances.

8&9. See Appendix, Table No. A.1.

10. Bhargava P.K. : Uttar Pradesh Finance since Independence 1969, vora and company, 3, Pound Building Bombay-2, pp.35-45.

The state budget for 1963-64 also bear the evidence of the imposition of the stress of the emergency since October 1962, in addition to rising plan outlay. Although the burden of emergency had fallen mainly on the Centre but the State had also felt its impact both directly and indirectly. The direct impact had risen from the need to make larger provision for the reinforcement of police in the state. The indirect impact arose from the fact that the scope of Central assistance to State for executing the state plans, had become more circumscribed. The situation created by the emergency had, therefore, necessitated a reorientation of plan priorities so as to frame out expenditure on less essential projects.¹¹ The State was also by and large, firmly determined to make efforts for mobilisation of the resources. U.P. State government made efforts to raise revenue and introduced new taxes, such as surcharge on local revenue and a tax on urban and building imposed in July 1962.¹² Exemption was granted to land and buildings used for public purposes valuing Rs. 120. But no revenue was collected from this source.

Development expenditure which had amounted to Rs. 7010 lakhs in 1961-62 rose to Rs. 8664 lakhs in 1962-63 and Rs. 9761 lakhs in 1963-64, with the exception of civil work, rural and community development, the provision for which had been

11. State Finance in India, Reserve Bank of India Bulletin, May 1966.

12. Economics Times, 21 June 1962.

maintained at about the same level as in 1961-62. All the other items showed an increase. The magnitude of this increase was relatively large under education (Rs. 2736), (Rs. 1096) under Medical and public health, and (Rs. 1121) lakhs under agriculture. (See table Appendix A.1)

Over the past several years, some significant shifts were discernible in the relative importance of individual items of development expenditure. Thus between 1960-61 and 1963-64, the proportion of expenditure on agriculture to total expenditure on revenue account had shown an increase from 3.16 percent to 6.44 percent, while on the civil work it increased only from 3.95 percent to 4.48 percent. In absolute terms, the total expenditure had doubled between 1960-61 to 1963-64 but the increase did not reflect a corresponding rise of development expenditure to total revenue expenditure because the latter has been inflated by changes in accounting classification with regard to certain items from 1962-63.

On capital account development head showed a less rise of Rs. 372 lakhs in 1962-63 as compared to ^{Rs}1138 lakhs in 1961-62 but was placed at Rs. 3825 lakhs lower in 1963-64. No-table increase in provision made for outlay in individual essential scheme, namely electricity scheme of Rs. 174 lakhs and industrial development of Rs. 54 lakhs.¹³

13. See Appendix Table No. A.2.

The total increase in expenditure on development items as a whole accounted an increase of Rs. 183 lakhs. Keeping in view the reorientation of plan priorities, outlays on agriculture and industrial development had been stepped up to Rs. 1121 lakhs and Rs. 432 lakhs respectively.¹⁴ Expenditure on rural and community development scheme and civil works, had been reduced to Rs. 2730 lakhs. To some extent the expenditure on items associated with the emergency had also contributed to a substantial increase in budget size on non-development account to Rs. 8653 lakhs in 1963-64 against ^{to} Rs. 7535 lakhs in 1962-63. Budget deficit of Rs. 13 lakhs in 1962-63 resulted in a surplus of Rs. 3 lakhs in 1963-64. In the process of meeting the overall deficit, the state had to resort the unauthorised overdraft from the Reserve Bank besides depleting the securities in the cash balance investment account. In order to enable the state to clear these overdrafts, the Central Government had to grant special loans to seven states including U.P. to the extent of Rs. 74 lakhs during 1962-63. Union Finance Minister in his budget speech for 1963-64 observed that "state must impose tight financial discipline, raise additional resources and keep their expenditure within their means"¹⁵. It was a kind of warning to the States that unauthorised overdrafts would not be honoured by Reserve Bank. In such a context, the need for

14. See Appendix, table No. A.1.

15. Bhargava, P.K. Uttar Pradesh Finance Since Independence, U.P., Vora & Co. Publishers Pvt. Ltd., Allahabad, 1969.

the States to maximise mobilisation of additional resources gained urgency.

There was an overall surplus in the year of 1962-63 of Rs. 17 lakhs which was a surplus of Rs. 3 lakhs in 1961-62. This was due to the measures for economising on non-plan expenditure such as restriction of expenditure on contingencies, salaries and allowances etc. The deficit was also reduced by a cut in expenditure in some of the items like rural and community development and civil work. In order to meet the increasing outlay under the tempo of development, state made efforts to collect its own resources which increased from Rs. 13500 lakhs to Rs. 15440 lakhs. In the 1st presentation of the Third Finance Commission's Award, state received a large grant-in-aid from the Central Government for 1962-63. As a result of this, the state's total resources increased from Rs. 1357 lakhs in 1961-62 to Rs. 15440 lakhs in 1962-63. Further, the quantum of assistance in form of special loan was sanctioned to U.P. Government to clear the overdraft over draft with the Reserve Bank.

Ultimately these different measures brought the state to have a surplus in the year 1964-65, surplus

rose to Rs. 355 lakhs. It seems that the State took measures for economizing the expenditure and enhancement of taxes which increased to Rs. 15164 lakhs as a tax revenue and Rs. 11 lakhs as non-tax revenue. (Appendix Table No. A.3) A grant-in-aid was recommended by Third Finance Commission in 1963 to certain states. In the period grants-in-aid to U.P. state increased from Rs. 1000 lakhs to 3500 lakhs. (See Appendix Table No. A.4) The commission also noted that due to various developments and other efforts, the needs were increasing rapidly and the resources of the state were limited. Accordingly, the Third Finance Commission extended the principle of sharing the duties from 8 to 35 commodities.¹⁷ As a result state taxes increased from Rs. 2956 lakhs to Rs. 3513 lakhs between 1963-64 to 64-65. All these efforts made a surplus budget of Rs. +297 lakhs on revenue account. Capital receipts did not show any significant increase and it shifted upward only from Rs. 11839 lakhs to Rs. 13069 lakhs. Revenue expenditure increased from Rs. 17474 lakhs to 19326 lakhs during 1963-64 to 1964-65. Disbursement on capital account increased to Rs. 13069 lakhs in 1964-65. Loans and advances by state Government showed a significant increase amounting to Rs. 5000 lakhs in 1964-65, (Appendix Table No. A.3) leaving a surplus of Rs. 500 lakhs.

17. Third Finance Commission 1961, chapter four.

In 1965-66 there was crop failure all over the state due to shortage of rainfall. The prices, especially of foodgrains shot up. The discussion not only on agriculture but on other sectors too.¹⁸ However, the U. P. government made its efforts to raise aggregate receipts in order to have a surplus budget. Doubtlessly, it was a successful effort to raise the revenue to Rs. 306 lakhs which clearly indicated the improvement in the budgetary position of the state all over. The measures which were adopted in this regard included a fast rise in the ~~regard~~ ~~inclusion~~ rates of sales tax so that the state collected additional revenue under this head of Rs. 374 lakhs. It also operated liquor permit system in U. P., though it was a not very desirable and healthy sign for the general welfare of the people.

The capital account recorded a sharp deterioration having a deficit of Rs. 545 lakhs. This was the result of shortfall in recoveries of loans and advances from autonomous bodies by Rs. 52 lakhs. On disbursement side development expenditure rose by Rs. 6767 lakhs, mostly charged by irrigation and Navigation schemes accounting Rs. 2647 lakhs and no building roads and water works accounting to

18. *Finance of State Government 1967-68.* Reserve Bank of India Bulletin, August, 1967.

Rs. 1734 lakhs. Similarly, provision under electricity schemes also stepped up to Rs. 1454 lakhs. (See Appendix : Table No. A.2)

The shortfall in agricultural production, due to the failure of rainfall, over the large part of the country in 1965-66, in addition to its effects on agriculture and other sectors of the economy had adversely affected the finance of U.P. State government during the year 1966-67.¹⁹ Consequently it showed a deficit budget on revenue account while it was recorded as a surplus budget of Rs. 432 lakhs in 1965-66. This was merely on account of agricultural income tax, the collection of which was seriously affected in the state due to drought condition, so remission was granted to the farmers.²⁰ Receipts under general sales tax were the main source of state revenue. It also showed a very small rise amounting to only 53 lakhs over the budget in 1966-67 against Rs. 374 lakhs in 1965-66, owing to the low level of economic activity during the year.²¹ Government made more expenditure on revenue account in 1966-67 mainly due to the famine relief measure accounting Rs. 787 lakhs irrigation schemes accounting Rs. 849 lakhs.²²

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- 19. State Budget of U.P., Financial Express, April 10, 1968
 - 20. Budget, Hindu, 1968 May.
 - 21. See Appendix Table No. A.3
 - 22. See Appendix Table No. A.1

Capital budget was a surplus budget of Rs. 51 lakhs. Government made capital expenditure of Rs. 15252 lakhs and capital receipts stood to Rs. 15303 lakhs. The overall budgetary position resulted in a surplus budget of Rs. 20 lakhs. Loans from autonomous bodies increased to Rs. 170 lakhs and recovery of loans and advances by Rs. 226 lakhs (See Appendix Table No. A.5) while on disbursement side less provision made on irrigation and navigation by Rs. 791 lakhs, building roads and water works by Rs. 360 lakhs. (See Appendix Table No. A.2)

Revenue budget in 1967-68 was a surplus budget of Rs. 2078 lakhs and capital budget was a deficit budget but overall it was a surplus budget of Rs. 447 lakhs. (See Table No. 1.3). The most important source through which revenue increased to a greater extent was sales tax which increased to Rs. 4758 lakhs. The assistance allocated by the centre to the State was of amount Rs. 11062 lakhs in form of shared taxes and grants-in-aid. On capital account, loans from autonomous bodies declined to 95 lakhs and permanent debt also did not increase in response to expenditure (See Appendix Table No. A.5)

The U.P. budget for 1968-69 showed a deficit of Rs. 3669 lakhs on capital account which was comfortably recovered by a revenue surplus of Rs. 2578 lakhs and remittances

of Rs. 142 lakhs.²³ The State had been fortunate to the extent that it was anticipated in the budget to have an approval amount of Rs. 7195 lakhs in revenue receipts in form of transfer resources from centre and Rs. 24794 lakhs on its own resources. The revenue receipts in 1968-69 was higher than the previous year because of higher tax receipt at existing level of taxation as a result of a good agricultural situation. Much of the revenue was used against the simultaneous increase in revenue expenditure in the interest amounting Rs. 6335 lakhs (See Appendix Table No. A.1). Higher dearness allowances were also granted this year.

By the time of the formulation of the Fourth Plan, the finance of the state government was a matter of great concern. The Centre issued certain comprehensive guide lines. The state government received guidelines regarding overdrafts in the following manner. (1) Budget must be balanced as far as possible (2) expenditure must be directly linked to a realistic appraisal of resources in sight (3) Expenditure not provided in the budget should be avoided.²⁴ There should be periodical review of expenditure and the impact of economic measures so as to prevent the situation getting out of control, necessitating overdrafts from Reserve Bank of India.

23. Suklikar. A., State Finance, 1968-69 Economic Times 1968 April.

24. Fourth Five Year Plan, Government of Uttar Pradesh, Planning Dept., August 1964.

These guide lines were just part of a series of exhortations in the part of the centre to the state for this period. The scheme of the centre then was probably implemented to raise the limit for authorised overdraft to the state, provided these limits had already exceeded, the State would have to repay the excess wit in three weeks, otherwise Reserve Bank would not be authorised to honour their cheques.²⁵

Again, there was a deficit budget on revenue account amounting to Rs. 4864 lakhs against a surplus recorded revenue budget of Rs. 2575 lakhs in 1968-69. Capital budget was a recorded surplus budget of Rs. 899 lakhs in 1969-70 against a deficit budget of Rs. 3669 lakhs. The overall budgetary position resulted in deficit amounting to Rs. 3967 lakhs in 1969-70. In 1969-70 Uttar Pradesh had, proposed for additional measures to increase its revenue. For this purpose, the resources were expected to be mobilised from agriculture sector mainly. The alternatives suggested in this regard were imposition of a progressive tax on the agriculturists and a levy of surcharge at progressive rates on land revenue, according to the land holding or the type of crops. Revision of sales taxes wherever they were relatively low were raised in order to get additional revenue.²⁶

25. Reflection on State Budget of 1969-70, Indian Finance March 1969, p. 416.

26. Reserve Bank of India Bulletin June 1960, p. 770
Reserve Bank of India, Bombay.

The State Government did not, so far succeed in collecting high revenue as suggested at the time of representation of the budget. Agriculture income-tax yielded only Rs. 7 lakhs of revenue while land revenue declined by Rs. 197 lakhs in that particular year.²⁷ The efforts to earn additional revenue from surcharge and sales tax also failed. The revenue from sales tax dropped by Rs. 392 lakhs. Though assistance of Rs. 6908 lakhs given to state by centre in form of grants-in-aid and an amount of shared taxes of Rs. 7448 lakhs, stood as the main source on revenue side. Thus the overall budgetary position worsened rather than improved in spite of all the possible efforts. It happened due to certain unexpected occurrences such as draught and sharp rise in the prices of different commodities.

The overall budgetary position of Uttar Pradesh for 1970-71 shared a deficit of Rs. 131 lakhs as against a deficit of Rs. 3967 lakhs in 1969-70. The deficit for 1970-71 reflected the loss in revenue, arising out of the decision to exempt land holding of 3-1/8 acres or less, from payment of land revenue and abolition of sales tax on fertilisers.²⁸ This resulted in a decline of Rs. 623 lakhs and Rs. 948 lakhs respectively.

27. See Appendix Table No. A.3

28. Reserve Bank of India Bulletin August 1970
Reserve Bank of India, Bombay.

To compensate the loss of revenue, the government increased entertainment tax, levied a duty on electricity used for industrial purposes, and in this way succeeded in collecting Rs. 101 lakhs and Rs. 146 lakhs respectively.

Other measures contemplated concern, i.e. the revision on court fees, sales and fees for registration of societies. However, it was a successful effort to bring out a surplus of Rs. 4864 lakhs on revenue account. The State Government did not succeed in collecting receipts on capital account and also failed to earn additional revenue from its own resources with the result that it was dropped by Rs. 3064 lakhs. Thus the overall budgetary position resulted in a deficit budget.

Again, there was a deficit budget in U.P. State in 1971-72 on capital account amounting Rs. 6323 lakhs and a surplus budget on revenue account amounting Rs. 1128 lakhs. The overall budgetary position resulted in a deficit, amounting to Rs. 5454 lakhs. The deficit was due to draught, floods and the consequent expenditure made on relief which increased by Rs. 1221 lakhs.²⁹ It also resulted in the increase of prices of all commodities. As a result the aggregate disbursement exceeded and accounted Rs. 11710 lakhs against the aggregate receipts^{which} accounted Rs. 9974 lakhs.

29. See Appendix Table No. A.2

The budgetary operation of the state government for 1972-73 reflected a serious view due to the major factors viz a wide spread draught condition and the policy of discontinuity of the Reserve Bank of India for making overdraft to State government except for a temporary period of seven working days. The central government provided special ways and means to clear the overdrafts for the state government according to the budget estimates. Aggregate disbursement exceeded the aggregate receipts by Rs. 4389 lakhs. This high deficit was due to the fact that revenue and capital budget also had a deficit budget of Rs. 1814 lakhs and Rs. 2575 lakhs respectively.

In view of the widespread draught condition observed in various parts of the country and the disquieting unemployment situation, special emphasis was laid on integrated programmes of development, particularly in agriculture, irrigation and power sector, programme benefiting the backward and vulnerable sections of population and employment oriented programmes. There was a sharp rise of Rs. 8493 lakhs in non-development expenditure, providing relief to people in draught affected areas.

The year 1973-74 was a year of extreme economic strain on account of draught, crop, failure power shortage

and international oil crisis, resulting in galloping inflation in the country.³⁰ As a result the budget of Uttar Pradesh State Government shared an overall deficit of Rs. 1603 lakhs. Development expenditure on revenue account increased by Rs. 39907 lakhs against Rs. 24975 lakhs in 1972-73, while the size of non-development expenditure increased from Rs. 22732 lakhs in 1972-73 to Rs. 32367 lakhs.³¹ Disbursement on capital account increased by Rs. 13020 lakhs in 1973-74.³² U.P. Government also made proposal for the continuance of refuge relief levies. The yield from such levy was utilised for meeting the situations caused by ravages of drought, floods and other natural calamities. Revenue receipts accounted Rs. 66719 lakhs and loan from centre increased by Rs. 18335 lakhs in 1973-74. (Table No. 1.5)

Reviewing the State Finance during the study period of 14 years, one point deserves special mention. The contribution of Stat's own departmental undertaking to the finances of State government was negative. In all cases excepting forests, road and water transport schemes, the receipts from departmental undertakings were not enough to meet their working expenses. The electricity scheme had

30. State Income Estimates Uttar Pradesh 1960-61 to 1975-76 Bulletin No. 161, p.5.

31. Appendix Table No. A.1

32. Appendix Table No. A.2

been working continuously at a loss of Rs. 126 lakhs in 1960-61 and 161 lakhs in 1963-64 and Rs. 67 lakhs in 1964-65 and one lakh in 1967-68 and etc. Interest receipts increased from Rs. 889 lakhs in 1960-61 to 3349 lakhs in 1973-74.³³ The two major sources of revenue to the State government were agricultural and state owned undertakings. During the period from 1960-61 to 1973-74 the size of the revenue budget of the government of the U.P. increased from Rs. 13532 lakhs to Rs. 66719 lakhs amounting to five times more than the period 1960-61. This was due to the efforts made by Govt. to increase revenue by increasing tax rates in order to meet emergency situation. Secondly, strict measures were adopted for tax-collection in order to avoid tax evasion. The improvement in revenue receipts were made through state's own taxes rather than through sharing in central taxes.

Like revenue, the expenditure on revenue had also risen to Rs. 566931 lakhs in 1973-74 from Rs. 13128 lakhs in 1960-61, nearly five times than that of 1960-61. Capital receipts account also followed the same pace of revenue receipts. The overall resources of state government expanded from Rs. 20116 lakhs in 1960-61 to Rs. 102774 lakhs

33. Appendix Table No. A.4.

by 1973-74, whereas the overall expenditure increased from Rs. 18987 lakhs to Rs. 98846 lakhs during the same period. Total expenditure increased by five times during the study period of 14 years, the total receipts also increased by five times. This indicates that the government spent a lot of money on different projects and schemes, as the government activities in the economic development increased tremendously. While going through the size and structure of the budget for different years since 1960-61, we came to the conclusion that the total receipts remained below the total expenditure during six years in U.P. State. Punjab and Rajasthan proved the worst in this regard having a deficit budget for a term of nine years in overall period of fourteen years. Contrarily, in U.P. the deficit budgets were carried for only six years once in early sixties and again in early seventies. This overall deficits were arrived at after taking into account all the resources in the form of shared taxes, grants and loans, transferred from the centre to the state and the loans raised by them in the open market. This amounts to prime deficit financing by the state for which there was no provision in the constitution mentioned only through the indulgence of centre and that the state had become emboldened to incur deficit through unauthorised overdrafts in the Reserve Bank. This

kind of deficit financing provision as made by the State added to that of centre, constitutes an inbuilt inflationary force which was at the root of the continually rising prices and the resulting depreciation of the rupee. Due to lack of good response in production and employment to rising expenditure the inflationary trends developed in every sector of the economy.

From the above mentioned analysis we came to know that the major causes for the deteriorating position of the state were (1) losses incurred in departmental undertakings, increased load of interest, repayment of debt and the utter lack of spirit of the economy. The unbalanced budgets as carried by state were not due to lack of resources but it was because of their imprudence, extravagance and lack of sense in financial responsibility.

One of the important features of the finances had been found that inspite of the fact that it can mobilise more resources, it relied more on centre. Apparently, the State Government felt that in the present financial relation (between the centre and state), it is not worth while to be too prudent and economic. The Central Government then had become virtually responsible for the financial solvency of the state without having the power of control and

discipline. It only served as a radical reconstruction of a financial relationship between the centre and the state that enforced financial discipline and responsibility.³⁴

The analysis that has been done so far reveals that with the rising size of the successive budgets, either in absolute terms or in terms of total income, the expenditure kept on rising high in each budget and took precedence over social services such as education, medical and public health services, rural and community development, social welfare, housing and employment etc. One welcoming feature of the expenditure was that the size of development expenditure increased much more (8 times) than the non-development expenditure (3 times). The structure of public expenditure has been changed, so far as the expenditure on development services comprised about 50 percent of total expenditure on development services and 50 percent on non-development services in the budget of 1960-61, whereas in 1973-74, budget of U.P. State development services comprised about 70 percent of total expenditure and 30 percent of non-development expenditure. Item of famine relief which was included in non-development expenditure now comes under development head. On the sides of revenue and capital accounts the total receipts could not match the expenditure

34. Jantharaman K., *Finances of State Government*
Bwaraja, Oct. 30, 1971.

in most of the years, so either it resulted in surplus or in deficit budgets. On the revenue account, U.P. State had a deficit in 5 years out of 14 years and on capital account its position was a matter of concern, as it had deficit budget in 7 years out of fourteen years. So far as we are concerned with overall surplus or deficit, U.P. had a surplus budget in 8 years against four years surplus budget of all the states taken together since 1960-61 to 1973-74. It shows overall performance of U.P. had been better in absolute and in terms of all states U.P. had a deficit budget once during the Third Plan period and the next ^{during} fourth Plan period.

The size of revenue receipts increased five times more during the period 1960-61 to 1973-74. But the most conspicuous feature of the revenue receipts was more than 6 times increase in amount of shared taxes, out of two important sources of revenue transferred from centre, Grants-in-aid has increased at a very low rate and it increased less than five times. The next most striking feature was that in 1960-61 fifty four percent of the state's own revenue was formed through tax revenue while 46 percent through non-tax revenue. But in 1973-74 this structure has been changed and 46 percent of the state's own revenue was

formed through tax revenue, while 54 percent through non-tax revenue.

The other significant feature of tax structure was the ever increasing importance of sales tax followed by motor vehicle tax, entertainment tax and losing importance of land revenue throughout the period. Though the government made efforts to raise tax from land revenue and induced some new taxes such as surcharge on local revenue, land development tax on rich farmers and tax on urban buildings with effect from July 1962. But these taxes were abolished in 1967 due to insufficient manouever of ^{the} administration which did not yield good results. U.P. Government imposed a tax on profession with effect from April 1966. There was no provision for granting relief for a similar tax paid to local bodies and there was thus double taxation and insufficient revenue from this tax. As a result, it was abolished in April 1971. Sales tax has occupied the first prominent position in tax structure of U.P.

C H A P T E R - I I

PATTERN OF PUBLIC EXPENDITURE

The Planning process in India has had a profound and wide-ranging impact on the role, function and economic activities of the Government at all levels. The largest proportion of rise out of the national income is being spent for making Govt. expenditure and for various social and economic objectives. Not only the size of public expenditure has grown to an unprecedented level, but its pattern has undergone a great change also. Traditional items have been qualitatively insignificant whereas new items of expenditure have appeared too. The growing participation of the state in the field of economic activities as a result has contributed significantly to the changed pattern of public expenditure.

This chapter has been particularly devoted to its proper distribution in different sectors of economy. In order to understand the distribution of expenditure, the percentage share of all the heads has been calculated in

terms of total expenditure. An attempt has also been made to calculate the expenditure in terms of state income and in per capita terms.

Public expenditure refers to all that are repayable by the government either for requitted or unrequitted, current or capital purposes.¹ The expenditure has been classified into two broad categories.²

(1) Developmental Expenditure

(2) Non-Developmental Expenditure

Developmental expenditure refers to those expenditures that are meant for creating physical assets or the development of human capital. The non-developmental expenditure refers to those expenditures which do not yield income but incur in order to maintain law and order and other fiscal services.³

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1. Gupta P. Anand : Who benefits from Government expenditures in India. Indian Institute of Management. Ahmedabad June 1980.
 2. In State, budget was not classified as development and non-development. It is the Reserve Bank of India which is presenting the consolidated budgetary position of the State every year. It has divided the figures into development and non-development expenditure.
 3. Row, E.N. Economic functional classification of State Government expenditure in India, Asian Economic Review Vo. 15-17, page 104, 1974 April August.

The total expenditure in the year 1974-75 was categorized mainly falling into three parts namely (i) economic services, (ii) social services, (iii) general services. The expenditure on economic services were classified into different heads namely agriculture and allied services, irrigation and power, industry and mining, transport and communication etc. Social services expenditure includes the services of education, health and medical services, housing, natural calamities, social welfare etc., which are of much help to the development of infrastructure. General services are treated as non-development expenditure. It has been observed that the total expenditure of the state to which we are concerned had increased from Rs. 15691 lakhs in 1960-61 to Rs. 81086 lakhs in 1973-74 (See table No. 2.1)

A simple comparison of the money amount over a period of fourteen years is not so meaningful and cannot be regarded as real -- a good part of it has been increased considerably due to the continuous rise in prices. Taking into consideration the fact the prices during the period had been more than doubled, the total expenditure increased four times more from Rs. 15691 lakhs to Rs. 80392 lakhs, (See Table No. 2.1) so the fact remained that an increase

TABLE NO. 2.1**Growth in Public Expenditure : Uttar Pradesh.**

Y E A R	Total Exp^(a) enditure (Rs in lakhs)	Population^(b) (Rs in lakhs)	Per Capita^(d) Expenditure (Rs in lakhs)	Prices Index^(c) Base 61-62=100
1960-61	15691	732.74	21.4	95
1961-62	17470	745.20	23.4	100
1962-63	20340	758.67	26.8	103.8
1963-64	21298	772.38	27.6	110.2
1964-65	24118	786.37	30.7	122.3
1965-66	22523	800.54	28.1	131.6
1966-67	29244	815.01	35.8	149.9
1967-68	32744	829.74	39.5	161.3
1968-69	38178	844.73	45.1	165.4
1969-70	40594	859.53	47.2	171.6
1970-71	40353	875.53	46.1	181.1
1971-72	52162	891.35	58.5	188.9
1972-73	56971	907.46	62.8	207.1
1973-74	81086	923.86	85.9	254.1

SOURCE : (a) Reserve Bank of India, Bulletins, various issues

(b) State Income Bulletins, No. 161, 1960-61 to 1975-76.
State Planning, Institute, Govt. of Uttar Pradesh

(c) Eastern Economist, August, 1975.

NOTE : Per Capita Expenditure is calculated by Expenditure

Real term dividing total population to total expenditure.

of considerable magnitude had taken place in the size of government expenditure in U.P. since the beginning of the sixties.

The increase in public expenditure was due to the planned development and promotion of social welfare in the State.⁴ In addition to this, expenditure on transfer payment in the form of pensions, payscale revisions, rise in population, resulted in an increase in public expenditure. According to C.T. Sandford, 'we should expect public expenditure to rise if population rose'⁵. While adjusting the growth in population with the growth in public expenditure, we find that population increased from 73274 lakhs to 923.86 lakhs only more than one times while the public expenditure had increased four times more during the period under study. (See Table No. 2.1)

In this way it becomes quite obvious that the most important factor responsible for huge increase in public expenditure is the expansion of government activities in

4. Changing pattern of Government expenditure, Economic Times, Dec. 1967.
5. Economics of Public Finance and economic analysis of government expenditure and Revenue in the United Kingdom, Pevgamon Press, Paris, 1969, P. 23.

all the spheres. This thing applies too in case of Adolph Wanger 'Law of increasing activities'. According to him, 'the expansion of Government activities is both extensive and intensive since the government started assuming new functions'⁶.

Peacock and Wiseman's hypothesis of 'displacement effect'⁷ is also found by the empirical its analysis in our study. The facts that bring about dislocation in the state expenditure were, however, different from those tested in the original Peacock and Wiseman hypothesis. In our study the widespread drought in the mid sixties and in 1970-71 had a dislocating effect on the state expenditure. As found out, their studies on public expenditure was shown increasing in Jark while in our case public expenditure except the year 1966-67 and 1970-71 was continuously increasing but in a smooth manner.

PHYSICAL AND PROPORTIONATE POSITION OF REVENUE AND CAPITAL EXPENDITURE :

Some notable changes have taken place in the pattern of public expenditure during 1960-61 to 1973-74. Table No. 2.2

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6. Reddy K.N. The Growth of public expenditure in India, sterling publisher, 1972, p.3.
 7. Jack Wiseman and Allan T. Peacock. The Growth of Public Expenditure in United Kingdom, Princeton University Press, 1961.

very clearly shows the relative growth of revenue and capital expenditure which have taken place during this period considering the direction of change. From the table it becomes quite evident that the revenue expenditure increased from Rs. 13128 lakhs in 1960-61 to Rs. 63635 lakhs in 1973-74, about five times more against a seven times more increase on capital account i.e. from Rs. 2563 lakhs to Rs. 17451 lakhs. Share of revenue expenditure to total expenditure showed a fluctuating figure. It was the highest in 1969-70 i.e. 90.2 and the lowest in 1968-69 i.e. 76.9. Its percentage share was 78.6 in 1960-61 which increased to 80.2 percent in 1973-74. Against this, expenditure on capital account constituted a remarkable increase in its proportionate share of 21.9 in 1973-74 against 15.3 in 1960-61 (Table No. 2.2)

Annual average of revenue expenditure during the Third Plan constituted Rs. 17712.4 lakhs which increased to Rs. 27468.3 lakhs during the Annual Plan and Rs. 45148.6 lakhs, during fourth plan. The annual average expenditure on capital account in each period of the Planning remained more than the increase in revenue expenditure (Table No. 2.2).

TABLE NO. 2.2**Pattern of Revenue and Capital Expenditure in Uttar Pradesh
1960-61 to 1973-74****(Rs in Lakhs)**

Y E A R	Revenue Account	Capital Account	TOTAL
1960-61	13128(78.6)	2563(15.3)	15691
1961-62	13602(77.8)	3868(22.1)	17470
1962-63	16199(79.6)	4141(20.3)	20340
1963-64	17414(81.8)	3884(18.2)	21298
1964-65	19356(80.2)	4762(19.7)	24118
1965-66	21991(97.6)	532(2.4)	22523
1966-67	25204(86.2)	4049(13.8)	29244
1967-68	27832(84.9)	4912(15.0)	32744
1968-69	29369(76.9)	8809(32.1)	38178
1969-70	36639(90.2)	3955(9.7)	40594
1970-71	34178(48.7)	6175(15.3)	40353
1971-72	43584(83.5)	8578(16.4)	52162
1972-73	47707(83.7)	9264(16.3)	56971
1973-74	63635(80.2)*	17451(21.9)	81086

ANNUAL AVLTAGI :

III Plan :	17712.4	3437.4	21149.8
ANNUAL PLAN :	27468.3	5920.3	33388.7
IV Plan :	45148.6	9084.6	73889.8

PERCENTAGE INCREASE IN :

1973-74 over 1960-61	384.7	597.6	416.8
1965-66 over 1960-61	67.5	- 95.1	34.9
1968-69 over 1965-66	33.5	-	69.5
1973-74 over 1968-69	116.7	98.1	107.8

SOURCE : Reserve Bank of India Bulletins.**NOTE : Figures in brackets are percentages to total expenditure**

* including Rs 461 lakhs on account of compensation and
Assignments to local bodies and Panchayat, Raj Institution.

relatively, percentage increase in the terminal year of the Third Plan over the terminal year of Second Plan was high in case of the capital account i.e. 85.1 against 67.5 percent increase on revenue account. But in the terminal year of the Fourth Plan its position was quite reverse and percentage increase in expenditure on revenue account was much higher (116.7) than the expenditure on capital account (98.1) over the terminal year of Annual Plan. The total expenditure increased by 107.8 percent (Table No. 2.2). Annual average growth rate in expenditure on revenue and capital accounts was more or less the same i.e. 27.5 and 27.8 respectively. We have classified the Public expenditure into two broad categories (1) Development, and (2) Non-development expenditure.

The classification of expenditure into development and non-development has been done with a view to study the growing state expenditure to the extent to which it was employed for productive purposes either in the form of creation of physical asset⁹ or development of human capital.¹⁰

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9. Physical Asset : Such expenditures are the main head of economic development and resulted in an increased in national income directly such as agriculture, industry, transport and communication, power etc.

and to what extent expenditure was employed for unproductive purposes. Expenditure on unproductive purposes refers that which does not yield income to the government, such as expenditure made on law and order, cost of collection of taxes and other duties without which the economy cannot live and cannot maintain its productivity. But in many cases such expenditure rather helped the economy indirectly in attaining higher level of productivity.

EXPENDITURE ON REVENUE ACCOUNT :

In absolute terms development expenditure increased from Rs. 5114 lakhs in 1960-61 to Rs. 39907 lakhs by 1973-74. It increased nearly 8 times more, while the non-development expenditure increased from 8014 lakhs in 1960-61 to Rs. 23267 lakhs by 1973-74, it increased nearly three times, more (Table. No. 2.3).

Development expenditure which was estimated at 38.9 percent of total expenditure in 1960-61, showed a sharp increase and went up to 51.54 percent in the next year i.e. 1961-62. While, on the other hand, non-development

expenditure showed a sharp decline from 61.1 to 48.4 percent during the same period. It has, therefore, been found that the beginning of the Third Plan entered into new phase from this structural change. This shift remained continued by the end of the Fourth Plan (but in a slow way) except the period of three ad hoc plans (1966-67 to 1968-69) when the development expenditure decreased from 54 to 51 percent and non-development expenditure increased from 45.7 to 49.9 percent. (Table No. 2.3). This happened because the economy fell within the grip of droughts during the period.

Development expenditure indicates an increase of more than 24 percentage points. In 1960-61, it was, estimated at 38.9 percent which further increased to 63.2 percent by 1973-74. While, on the other hand, non-development expenditure registered more than 24 percentage points decrease. In 1960-61, it constituted 61 percent of the total revenue expenditure which declined to 36.8 percent by 1973-74 (Table No. 2.3).

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10. Human capital : The expenditure on education, medical and public health are of human capital and they are constructed as a vital infrastructure for economic development.

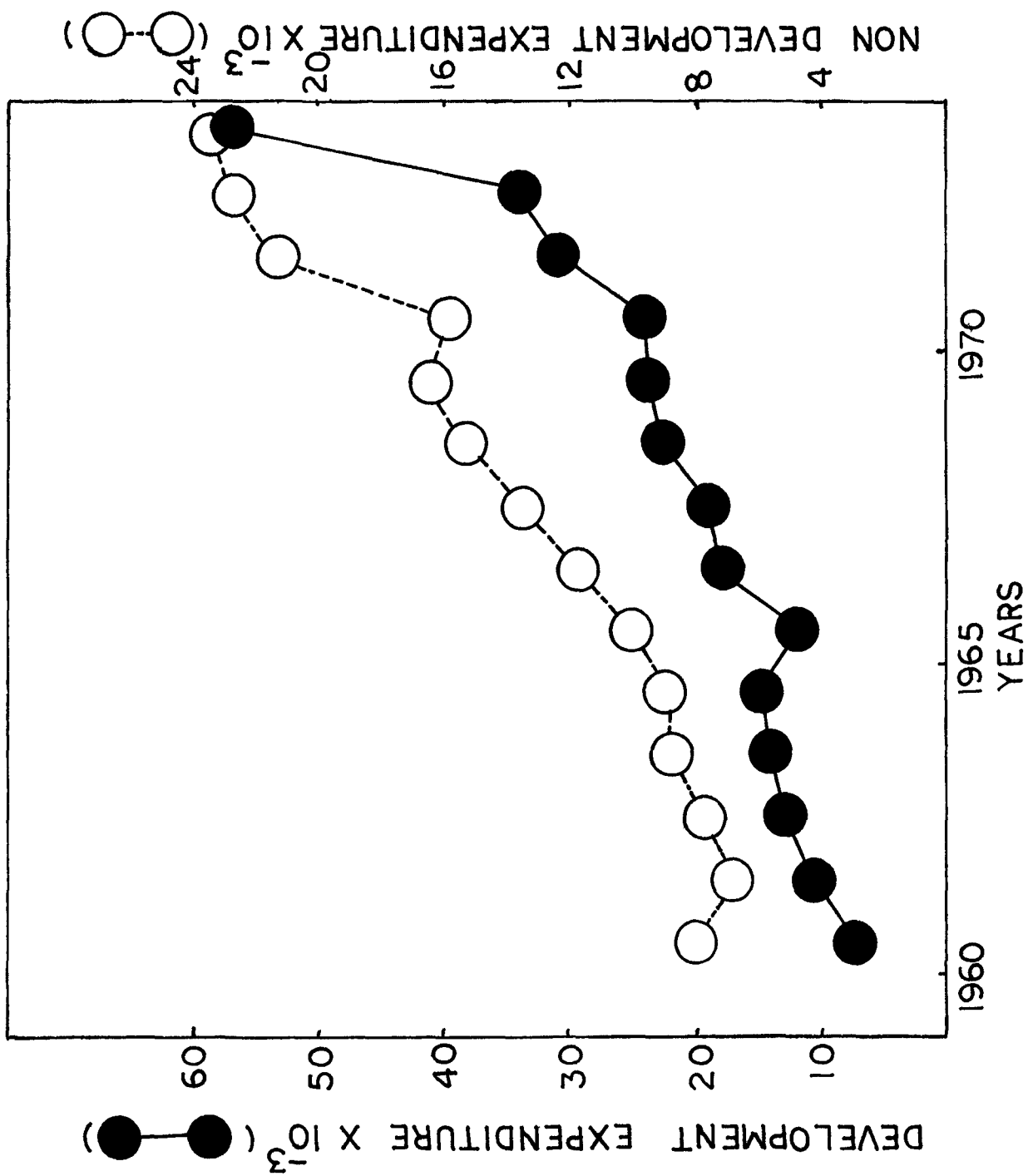
Table No. 2.3 : DEVELOPMENT AND NON-DEVELOPMENT EXPENDITURE IN UTTAR PRADESH.

(Rs in lakhs)

Y E A R S	DEVELOPMENT EXPENDITURE			Per Capita Expenditure	NON-DEVELOPMENTAL EXPENDITURE			Per Capita Expenditure
	Revenue Account	Capital Account	Total		Revenue Account	Capital Account	Total	
1960-61	5114(38.9)	2503(97.6)	6717(48.6)	10.4	8014(61.1)	60(2.4)	8074(51.4)	11.0
1960-62	7010(51.5)	3641(92.1)	10651(60.9)	14.3	6593(48.4)	227(7.9)	6820(39.1)	9.1
1962-63	8664(53.5)	4013(96.9)	12677(12.3)	16.7	7535(45.5)	128(4.1)	7663(37.7)	10.1
1963-64	9761(50.3)	3825(98.5)	13586(60.9)	17.6	8653(49.6)	59(1.5)	8712(39.1)	11.3
1964-65	10291(53.2)	4277(90.2)	14568(61.6)	18.5	9035(45.7)	51(9.8)	9086(38.4)	11.5
1965-66	11991(54.5)	108(20.3)	12099(53.7)	15.1	10000(45.7)	424(79.7)	10424(46.3)	13.0
1966-67	13556(53.8)	3901(96.5)	17457(59.7)	21.4	11648(46.7)	139(3.5)	11787(40.3)	14.5
1967-68	14723(52.9)	4603(93.7)	19326(59.1)	23.3	13109(47.1)	309(6.3)	13418(40.9)	16.2
1968-69	14913(50.7)	7943(91.2)	22856(59.8)	27.0	14449(49.2)	866(9.8)	15315(40.2)	17.3
1969-70	20220(55.2)	3954(97.1)	24174(59.5)	28.1	16419(44.8)	41(2.9)	16460(40.5)	19.1
1970-71	18119(53.0)	6174(99.0)	24293(60.3)	27.7	16059(49.0)	01(0.1)	16060(39.7)	18.3
1971-72	22662(52.0)	7988(93.1)	30650(58.8)	34.4	20922(48.0)	591(6.9)	21513(41.2)	24.1
1972-73	24975(52.3)	9145(98.7)	34120(60.0)	37.6	22732(47.6)	119(1.3)	22841(40.0)	25.1
1973-74	39907(63.2)	17201(98.6)	57108(71.4)	61.8	23267(36.8)	17(1.4)	23284(29.6)	25.2
Annual Average								
III Plan	9543.4	3172.8	17629.8		8363.2	177.8	8541.0	--
Annual Plan	14397.3	5482.3	28768.7	--	13068.7	438.1	13506.7	--
IV Plan	23576.6	7864.6	32274.8	--	19879.8	153.8	20033.6	--
Percentage Increase in								
1973-74 over 1960-61	680.3	583.2	649.7	--	202.7	71.7	200.6	--
1965-66 over 1960-61	134.5	--	174.4	--	34.1	606.7	34.6	--
1968-69 over 1965-66	24.4	--	14.3	--	44.5	104.2	46.9	--
1973-74 over 1968-69	167.7	51.8	127.4	--	61.1	-98	52.1	--

SOURCE : Reserve Bank of India Bulletins, various issues.

NOTE : FIGURES IN BRACKETS ARE PERCENTAGES TO TOTAL REVENUE EXPENDITURE, TO TOTAL CAPITAL EXPENDITURE AND TO TOTAL COMBINED EXPENDITURE.



Annual average of development expenditure during the ^{Annual} / . Plan on revenue account was Rs. 9543.4 lakhs and non-development amounted Rs. 8363.2 lakhs. It did not exhibit in-significant difference between the annual average of development and non-development expenditure. The difference stood to Rs. 180.2 lakhs in development expenditure in Third Plan which raised to Rs. 3696.8 lakhs during the Fourth Plan.

Percentage increase in 1973-74 over 1960-61 was much more in case of development expenditure i.e. 680.3 than the non-development expenditure i.e. 202.7. Percentage increase in development expenditure during the terminal year of Third Plan over the terminal year of Second Plan was 134.5 against 34.1 percentage increase in case of non-development expenditure. But this percentage increase was more in 1968-69 over 1965-66 i.e. 44.5 percent, whereas, in case of development expenditure it was only 24.4 percent, much less than the non-development expenditure. This position got changed during 1973-74 and the percentage increase over 1968-69 was doubled as compared to the earlier in non-development expenditure. during the same period (Table No. 2.3).

EXPENDITURE ON CAPITAL ACCOUNT :

It is interesting here to note the fact that the development expenditure on capital account had always been significant throughout the period under study. On the other hand, non-development expenditure had been only of a nominal amount. Development expenditure accounted 97.6 percent of the total capital expenditure in 1960-61 and which increased to 98.6 percent in 1973-74. Non-development expenditure accounted 2.4 percent in 1960-61 which declined to 1.4 percent in 1973-74. We could not analyse it in detail because of the fact that it formed only a nominal amount.

In absolute term development expenditure on capital account increased from Rs. 2503 lakhs in 1960-61 to Rs. 17201 lakhs in 1973-74. It increased to about seven times approximately during the period under study against an increase of about 8 times on revenue account.

Annual average development expenditure on capital account during the period of third Plan was Rs. 3172.8 lakhs which increased to Rs. 5482.3 lakhs during the Annual plan. It further went up to Rs. 7864.6 lakhs during the Fourth Plan period.

The development expenditure on capital account increased to 583.2 percent in 1960-61 over 1973-74 against 680.3 percent increase on revenue account during the same period.

EXPENDITURE ON COMBINED ACCOUNT :

Total development expenditure both on revenue and capital accounts, in absolute term, increased from Rs. 6717 lakhs in 1960-61 to Rs. 57108 lakhs in 1973-74 i.e. 649.7 percent increase. It increased more than seven times at current prices where-as at constant prices it increased only 3 times more (Table No. 2.4A). Annual average development expenditure during the Third Plan period was Rs. 17629.8 lakhs which just doubled during the Annual plan i.e. Rs. 28768.7 lakhs. During the Fourth Plan period it was amounted to Rs. 32274.0 lakhs (Table No. 2.3).

Percentage increase in the terminal year of the Third Plan over the Second Plan was the highest i.e. 174.4 percent in comparison to other two plans. Increase in its percentage was the lowest in 1968-69 over 1965-66 i.e. only 14.3 percent.

TABLE NO. 2.4A**Expenditure Converted in 1960-61 price.****(in lakhs)**

Y E A R	General price Index 1961-62=100	Development Expenditure	Non-develop- ment Expendi- ture	Total Expenditure
1960-61	95	7617	8018	13128
1961-62	100	10651	6820	17470
1962-63	103.8	12213	7382	19595
1963-64	110.2	12328	7906	19327
1964-65	122.3	11912	7429	19720
1965-66	131.6	9194	7920	17115
1966-67	149.9	11646	7863	19509
1967-68	161.3	11981	8319	20320
1968-69	163.4	13319	9259	23082
1969-70	171.6	14087	9592	23656
1970-71	181.1	13414	8868	22282
1971-72	188.9	16225	11388	27613
1972-73	207.1	16475	11029	27509
1973-74	254.1	22475	9163	31911

SOURCE : Reserve Bank of India Bulletins, various issues.

In absolute term, non-developmental expenditure both on revenue and capital accounts increased from Rs. 8074 lakhs in 1960-61 to Rs. 23284 lakhs in 1973-74. i.e. 200.6 percent. It means ~~it~~ increased less than three times at current prices whereas at constant it increased only one & the half times more (Table No. 2.4A). Percentage increased in development expenditure was more than non-developmental expenditure (Table No. 2.3). The proportionate share of non-development expenditure to the total expenditure, both on revenue and capital account, registered a decline by more than 21 percentage points. It constituted 51.4 percent in 1960-61 which declined to 29.6 percent in 1973-74 (Table No. 2.3).

These trends have been brought to light a trend of changing structure of the government expenditure in a developing phase and increasing efforts on the part of the State in championing the task of development.

The total expenditure and development expenditure accorded an increase in their size, It will become clear if we analyse them in relation to the growth of state's total income between 1960-61 and 1973-74, whereas the State's income increased by 254.4 percent (from Rs. 1843.13 lakhs to Rs. 653181 lakhs), total expenditure recorded a growth

**TABLE NO. 2.4A : PUBLIC EXPENDITURE AS A PERCENT TO
NATIONAL INCOME.**

(Rs in Lakhs)

Y E A R	Total State Income (at current prices) ^(a)	Total Expen- diture	Total Exp- enditure as percent (2)	Development expenditure as % of (2)	Non-development Expenditure as % of (2)
1960-61	184313	17463	8.5	4.1	4.4
1961-62	193590	17471	9.0	5.5	3.5
1962-63	200127	20340	10.2	6.8	3.4
1963-64	222087	22298	9.6	6.6	3.0
1964-65	288221	23654	8.4	5.1	3.3
1965-66	298573	22523	7.5	4.1	3.4
1966-67	350916	29244	9.8	5.7	4.1
1967-68	407258	32744	8.1	5.1	3.0
1968-69	382882	38171	9.9	6.1	3.8
1969-70	418671	40637	9.8	5.8	4.0
1970-71	441461	40453	9.1	5.5	3.6
1971-72	463599	52163	11.2	6.6	4.6
1972-73	575551	56961	9.9	5.9	3.1
1973-74	653181	80392	12.4	8.7	3.3

SOURCE : ^(a) State Income Estimate of U.P.
1960-61 to 1975-76 Bulletin No. 161
State Planning Institute, Lucknow.

NOTE : The data of total, development and non-development
expenditure is given in table No. 2.3.

of 416.8 percent (from Rs. 15691 lakhs to Rs. 81086 lakhs). The relationship of total expenditure to the total State's income increased from 8.5 to 12.5 percent during the period of 14 years. Development expenditure as percent of total income recorded a growth of 3.3 percent (i.e. from 4.1 to 8.7) whereas the non-development expenditure in terms of total income declined from 4.4 to 3.3 percent (Table No. 2.4B). It shows here a healthy trend from the development point of view.

The main reason for this relatively more increase made on the side of development services was due to the result of increasing government activities.¹² For a rapid and co-ordinated development of the economy, the state had assumed much broader obligation of providing an extensive infrastructure through the development of transportation and communication, major and medium power etc, and also to building up basic and heavy scale industries. The next important reason for more expenditure on development head was the provision of social services in State. As stated under the directive principles of Indian Constitution, the state is responsible for protecting its citizens from external and internal aggressions and also to provide adequate means of livelihood, health and educational

Facilities

12. Zahir Mohammed, Public Expenditure and income distribution, Associated Publishing House, 1972 p. 51.

facilities etc.¹³ Relatively slow growth of productivity in the sector of economy also stands as a cause for growing expenditure on development services. According to Martin A. and W.A. Lewis¹⁴ "Government spend on development services more as these services are a functions of output".

COMPONENTS OF DEVELOPMENT EXPENDITURE :

To clarify the position, it is worth while to analyse the development expenditure by its major head. We have already found out that with the increasing total expenditure the share of development expenditure to total expenditure has increased whereas the share of non-development expenditure to total expenditure has declined.

Here an attempt has been made to find out the distribution of developmental expenditure for economic and social services. The relative share of economic and social services is indicated in Table No. 2.5. It is quite evident from the table that with an increase in total development expenditure, the share of economic services

13. Ramkrishna, V.G., 'Trend in Public Expenditure : the impact of planning' Commerce, Annual Number, 1966.

14. A. Martin and W.A. Lewis 'Pattern of Public revenue and expenditure' Manchester School of Economics Volume XXIV, 1956.

which accounted a significant percentage of 70 showed a declining trend and reached the lowest level of 33.0 percent in 1969-70. It further increased to 57.3 percent in 1973-74 on the other hand, social services which accounted 29.1 percent showed an increasing trend but rather with the fluctuations. It reached its peak in 1969-70 i.e. 61 percent. It accounted the lowest 29 percent in 1960-61. (Table No. 2.5). It is quite evident that the expenditure on social services has grown at such a high rate that it accounts 42.7 percent of total development expenditure, against 29.1 in 1960-61. As regards the expenditure on economic services, they also showed an increase but their relative importance, in terms of development expenditure had suffered an erosion, their share in total development expenditure had declined from 70 to 57 percent. It has, therefore, been rightly concluded in words of Richard S. Thorn that the proportion of total expenditure devoted to social expenditure tends to rise in the course of economic development which means it grows at a faster rate than the average of other government expenditure.¹⁵

EXPENDITURE ON ECONOMIC SERVICES :

Public expenditure on economic services had lost its importance but some of the services had gained relatively

15. Richard S. Thorn : The evaluation of public finance during economic development 'The Manchester School of Economics and Social Services' Vol. I January 1967. P. 23.

more share as compared to others. In order to analyse the trend by its major head, we have calculated all the items in terms of total expenditure and state domestic products. In per capita term, expenditure on social services increased from Rs. 11.4 in 1960-61 to Rs. 26.3 in 1973-74 registering an increase of 22.5 percentage points whereas per capita expenditure on economic services increased from Rs. 9.3 to Rs. 35.4 registering an increase of about 26.1 percentage points which is higher than social services during the same period (Table No. 2.5).

Expenditure on social services on revenue account increased by 763.6 percent against 620.5 percent on capital account over the period of 14 years i.e., 1960-61 to 1973-74, whereas the expenditure on economic services increased by 620.5 percent on revenue account against 291.3 percent on capital account, indicating an overall increase of 329.2 percent. Social services expenditure both on revenue and capital account, combined, increased by 763.6 percent against 378.1 percent in case of economic services (Table No. 2.5).

Annual average expenditure during the Third Plan which was accounted Rs. 5253.4 lakhs, increased by more than

three times in the Fourth Plan i.e., to Rs. 17248.2 lakhs, whereas the annual average expenditure on economic services accounting Rs. 7282.8 in Third Plan increased only to more than two times i.e. to Rs. 16818.8 lakhs.

Percentage increase in 1965-66 over 1960-61 was larger on social services (combined) in comparison to the economic services. But in 1973-74 over 1968-69 percentage increase was higher on economic services as compared to the social services. (Table No. 2.5).

Relating the expenditure on social services to G.D.P. it was noticed that it accounted more than 1 percent in 1960-61. But in 1973-74 it increased to nearly four percent, registering an increase of 3.4 percent. Economic services in terms of G.D.P. increased from 5.4 percent in 1960-61 to 7.7 percent in 1973-74 registering an increase of 1.3 percent. It does mean that the U.P. government spend larger amount of its income on social services.

AGRICULTURE AND ALLIED SERVICES :

Under Pradesh consists of a predominantly agricultural economy. According to 1961 census about 75.2 percent of state's working population is engaged in cultivation as

Table No. 2.5 : PERCENTAGE DISTRIBUTION OF DEVELOPMENT EXPENDITURE ON SOCIAL AND ECONOMIC SERVICES.
(% in lakhs)

	SOCIAL SERVICES			ECONOMIC SERVICES			PERCENTAGE DISTRIBUTION OF DEVELOPMENT EXPENDITURE ON SOCIAL AND ECONOMIC SERVICES				
	Revenue account	Capital account	Combined	Per capita expenditure S.D.P.	Revenue account	Capital account	Combined	Per capita expenditure S.D.P.	Revenue account	Capital account	Combined
1960-61	53.3	2.4	29.1	3.8	1.5	46.7	97.6	70.9	9.3		3.4
1961-62	43.9	—	32.2	4.6	1.8	51.1	100.0	6.78	9.6		3.7
1962-63	53.2	5.5	33.1	6.3	2.4	46.8	94.5	61.9	10.3		3.9
1963-64	54.7	9.2	37.6	6.6	2.3	44.9	91.8	61.4	9.6		3.4
1964-65	—	11.1	37.3	6.9	1.9	51.3	88.9	62.4	9.6		3.4
1965-66	61.4	—	60.8	9.1	2.5	38.6	100.0	39.1	5.9		1.6
1966-67	59.7	6.1	47.7	10.2	2.4	40.2	—	53.1	11.2		2.6
1967-68	—	—	48.3	11.2	2.3	36.6	100.0	51.7	12.0		2.4
1968-69	—	—	46.0	12.4	2.7	29.4	—	51.9	14.6		3.2
1969-70	79.5	17.4	61.2	17.2	1.9	33.5	91.9	—	10.9		2.2
1970-71	69.9	11.1	54.7	15.1	2.0	30.1	93.9	45.3	12.5		2.5
1971-72	65.7	3.9	50.9	17.5	3.5	34.3	91.1	42.9	16.8		3.4
1972-73	69.5	9.6	53.2	20.0	3.2	30.5	90.4	46.7	17.5		2.3
1973-74	56.8	10.0	42.7	26.3	3.9	43.1	90.1	57.3	35.4		3.3
III Plan											
	5043	—	5253.4	—	4302.4	2980.4	7282.8				
Annual Plan	9320.6	—	9392.3	—	—	5078.6	5408.1	16486.6			
IV Plan	16367.6	—	17243.2	—	—	3809.1	6003.8	16319.8			
Percentage Increase in											
1973-74 over 1960-61	722.6	620.5	763.6	—	—	620.5	291.5	373.1			
1965-66 over 1960-61	170.2	—	160.8	—	—	97.7	—36.3	—25.7			
1968-69 over 1960-61	42.6	—	42.7	—	—	—	—	—			
1973-74 over 1960-61	115.7	—	131.8	—	—	231.2	95.3	165.3			

NOTE : Data of expenditure on economic and social services are divided by the data on population to obtain per capita figures.

SOURCE : DATA ON ECONOMIC AND SOCIAL SERVICES ARE TAKEN FROM RESERVE BANK OF INDIA PUBLISHED IN 1976, No. 151.
DATA ON POPULATION ARE TAKEN FROM RESERVE BANK OF INDIA PUBLISHED IN 1976, No. 151.

against 69.5 percent of the country as a whole.¹⁶ It contributes 60.9 percent of its total income.¹⁷ In this way we arrive at the conclusion that the state government plays an important role by making expenditure on this head. The expenditure under Agriculture includes the cost of agricultural department, such as expenditure on improved seed programme, manures and fertilizers, construction of buildings for procurement, storage and distribution of fertilizers, plant protection, agricultural education, agricultural engineering, agricultural research etc. Expenditure incurred on agricultural demonstration and propaganda, including public exhibition, fairs, expenditure on botanical and other public gardens, cane development also falls under this head.

Agriculture and allied services are subdivided under three main heads (a) Animal husbandry and (b) Co-operation (c) ^{and} forest, Animal husbandry is important for the development of agriculture, supply of milk, meat and eggs and, for industrial purposes. Some communities like

16. Fourth Five Year Plan, Government of Uttar Pradesh, Planning Department, August 1969, p. 71.

17. State income estimates ^{of} 1960-61 to 1975-76
State Planning Institute, Bulletin No. 12.

Gujjar and the Ahir have adopted animal husbandry as their chief occupation. Expenditure on 'Animal Husbandry' includes the cost of civil animal husbandry department, Animal husbandry education, development and research maintenance of veterinary hospitals and dispensaries etc. Cooperation plays an important role in the planned economic development of the country. Cooperation, if properly organised can bring about basic social and economic changes in the structure of the society.¹⁸ Expenditure on 'co-operation' includes expenditure on rural development, cooperative milk supply scheme, Co-operative farming scheme etc. It also includes expenditure incurred on the promotion of the Co-operative movement, general establishment charges including salaries and cooperative society's working members.

Keeping in view the importance of agriculture in the economy of the state priority was given to the agricultural development programme throughout the plan period. It occupied the first position in terms of expenditure on economic services and second place in terms of total revenue expenditure, it ranged between 13 to 15 percent,

18. Fourth Five Year Plan, Government of Uttar Pradesh Planning Department, August 1969, p.71.

during the period of 1960-61 to 1973-74. Expenditure made on agriculture (on revenue account) increased by 8 times more, animal husbandry by 6 times and rural and community development by more than three times. Agricultural expenditure increased by 657.6 percent, animal husbandry by 311.9 percent, rural and community development projects by 220.7 percent. Taking into account the overall increase in agriculture and allied services went up to 337.8 percent during the period 1960-61 to 1973-74 (Table No. 2.6).

In terms of total revenue expenditure its percentage declined from 13.5 to 11.7. This was due to the result of decline in percentage share of rural and community development projects from 6.6 to 4.4 percent (Table No.2.6).

State Government spent a major part of its capital outlay on the agricultural development in 1973-74. It was evident with an increase of 13432.2 percent over the period under study much more than revenue account. As compared to other terminal plan period, the highest percentage increase had taken place in the terminal year of Annual Plan over Second Plan Period.

TABLE NO. 2.6 : Expenditure on Agriculture and Allied Services : Uttar Pradesh (On Revenue Account).

Y E A R	Agriculture	Animal Husbandry	Rural & Community Dev. Projects	Forest	Total
1960-61	415 (3.2)	184 (1.4)	866 (6.6)	310 (2.4)	1775 (13.5)
1961-62	850 (6.2)	—	820 (5.1)	342 (2.6)	2019 (14.8)
1962-63	1027 (6.3)	—	1010 (6.2)	396 (2.4)	2433 (15.0)
1963-64	1121 (6.4)	—	922 (5.3)	450 (2.6)	2493 (14.3)
1964-65	1278 (6.6)	—	1007 (5.2)	533 (2.7)	2818 (14.6)
1965-66	1451 (6.6)	—	1131 (5.1)	507 (2.7)	3169 (14.4)
1966-67	1759 (6.9)	—	1053 (4.2)	624 (2.5)	3436 (13.6)
1967-68	1251 (4.5)	476 (1.7)	882 (3.2)	664 (2.4)	3273 (11.7)
1968-69	1971 (6.7)	439 (1.5)	848 (1.6)	695 (2.4)	3953 (13.4)
1969-70	2375 (6.2)	495 (1.3)	991 (2.7)	736 (2.0)	4597 (12.5)
1970-71	2679 (4.9)	539 (1.6)	831 (2.4)	756 (2.2)	4805 (13.0)
1971-72	2842 (6.5)	572 (1.3)	1419 (3.3)	831 (1.9)	5664 (12.9)
1972-73	2299 (4.8)	685 (1.4)	1932 (4.1)	952 (2.1)	5868 (12.3)
1973-74	3144 (4.9)	758 (1.2)	2777 (4.4)	1093 (1.7)	7772 (11.7)
ANNUAL AVERAGE					
III Plan	1145.4	—	978.00	463.0	2586.4
Annual Plan	1660.3	—	927.7	661.0	3554.0
IV Plan	2667.8	609.8	1590.0	873.6	5741.2
PERCENTAGE INCREASE					
In 1973-74 over	657.6	311.9	220.9	252.6	337.8
1960-61	—	—	—	—	—
1965-66 over	249.6	—	30.6	89.3	79.5
1960-61	—	—	—	—	—
1968-69 over	35.8	—	33.3	18.4	24.7
1965-66	—	—	—	—	—
1973-74 over	59.5	72.7	227.4	57.3	96.4
1968-69	—	—	—	—	—

SOURCE : Reserve Bank of India Bulletins, various issues.

NOTE : Figures in brackets are percentages to total Revenue Expenditure.

TABLE NO. 2.7 : EXPENDITURE ON AGRICULTURE AND ALLIED SERVICES : PER CAPITA AND PERCENTAGE OF TOTAL ECONOMIC SERVICES (On Revenue & Capital Account Combined).
(Rs in lakhs)

Y E A R	Expen- diture On Cap- ital Ac	Com- bined	U T T A R		P R A D E S H		A L L		S T A T E S	
			As % of Economic Services	As % of S.D.P.	Per Capita Expenditure	As % of Economic Services	As % of N.H.P.	Per Capita Expenditure		
1960-61	163	1938	28.3	1.05	2.6	33.8	1.08	3.25		
1961-62	219	2238	31.1	1.15	3.0	27.8	1.04	3.26		
1962-63	174	2607	33.2	1.30	3.4	27.6	1.09	3.33		
1963-64	2	2495	33.4	1.12	3.2	26.9	1.12	4.07		
1964-65	91	2909	31.8	1.01	3.7	26.0	1.04	4.32		
1965-66	104	3273	61.1	1.09	4.1	33.6	1.40	5.85		
1966-67	91	3527	38.6	1.00	4.3	37.7	1.28	6.09		
1967-68	448	3721	37.2	0.91	4.5	32.6	1.13	6.18		
1968-69	2426	6379	51.7	1.75	7.5	29.6	1.19	6.57		
1969-70	1206	5803	69.9	1.39	6.7	27.5	1.03	6.08		
1970-71	-364	4441	40.3	1.00	5.0	27.5	1.04	6.55		
1971-72	-593	5071	33.7	1.09	5.7	29.1	1.19	7.72		
1972-73	-397	5471	34.3	0.95	6.1	33.1	1.36	9.49		
1973-74	2351	10123	30.9	1.54	10.9	31.1	1.15	9.73		
ANNUAL AVERAGE										
IXI Plan	118	2122	---	---	---	---	---	---	---	---
Annual Plan	988	4942	---	---	---	---	---	---	---	---
IV Plan	711	6131	---	---	---	---	---	---	---	---
PERCENTAGE INCREASE IN										
1973-74	1342.3	422.3	---	---	---	---	---	---	---	---
over 1960-61			---	---	---	---	---	---	---	---
1965-66	-19.6	68.9	---	---	---	---	---	---	---	---
over 1960-61			---	---	---	---	---	---	---	---
1968-69	2232.7	94.9	---	---	---	---	---	---	---	---
over 1965-66			---	---	---	---	---	---	---	---
1973-74	-30.9	58.7	---	---	---	---	---	---	---	---
over 1968-69			---	---	---	---	---	---	---	---

SOURCE : RESERVE BANK OF INDIA BULLETINS, VARIOUS ISSUES.

On an average of about Rs. 118 lakhs were spent annually during the Third Plan. This figure increasing continuously to Rs. 988 lakhs, and Rs. 1277 lakhs during Annual and Fourth Plans respectively (Table No. 2.6). On the side of revenue account, it accounted an annual average of Rs. 2586 lakhs during the Second Plan Rs. 3554 lakhs and Rs. 5741 lakhs during the Annual and Fourth Plans. An order to have the true picture of expenditure on agriculture and allied services, we have taken the combined figure both on revenue and capital account, which increased by 422.3 percent during the period of 14 year. An average of Rs. 2122 lakhs was spent annually during the Third Plan and Rs. 6181 lakhs ~~annually~~ during the annual and Fourth Plans respectively (Table No. 2.7).

Expenditure on agriculture and allied services in terms of G.D.P. increased from 1.05 percent in 1960-61 to 1.54 percent in 1973-74 against 1.08 and 1.15 percent increase of all states taken together, respectively. Uttar Pradesh registered an increase of 0.49 percentage points, whereas all states (as taken together) registered an increase of only 0.07. In per-capita terms, it increased by 1.5 percentage point more in the U.P. state as compared to all the states (Table No. 2.7).

EXPENDITURE ON WATER AND POWER DEVELOPMENT :

Irrigation facilities are very important for the agricultural development. To make the State self-sufficient in food matters particularly in the years of low rainfall, it is necessary to provide irrigation facilities.¹⁹ The development of power projects is a pre-requisite for the development of industries and agriculture at progressive level.²⁰ These were the indirect outlay for the development of agriculture.

The Government makes expenditures on major medium and minor irrigation by way of constructing canals, fitting pumps, tubewells, wells, tanks etc. The U.P. State government spent a major part of its capital outlay on water and power development. In 1960-61, it constituted 34 percent of its total outlay, whereas in 1973-74, it was more than 80 percent. Revenue expenditure on this head constituting more than 5 percent of its total expenditure in 1960-61, showed a declining trend and in 1973-74 it was estimated only 2.8 percent.

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19. Extension of irrigation facilities, Hindustan Times, 77 November 8.
20. Fourth Five Year Plan, Government of Uttar Pradesh August 1969, p. 181.

Revenue outlay on this part increased by 211.6 percent only, whereas capital outlay increased by 1015.2. Higher percentage increase had taken place in case of power scheme i.e. 1107.4 percent, followed by 666.5 percent increase on irrigation and navigation. In 1965-66 the highest percentage increase over 1960-61 was accounted on irrigation and navigation, in 1968-69 over 1965-66 the highest percentage increase over 1965-66 had taken place in case of power scheme, and in 1973-74 it was again irrigation and navigation over 1968-69 (Table No. 2.8^A).

The state expenditure (both on revenue and capital accounts) has got more than 7-fold increase under this head, 7 fold was devoted to the irrigation and navigation and 10 fold to power projects. Total expenditure under this head, increased by 727.2 percent, power projects registered the highest percentage increase by 891.2 whereas the irrigation by 477.4 percent over the period of 14 years (Table No. 2.8^A).

Keeping in view the importance of the development of irrigation and power projects, (on capital account) an increasingly larger outlay has been proposed for this sector under Five Year Plans of the State. On an average

TABLE NO. 2.8.A: DETAIL OF EXPENDITURE ON WATER AND POWER DEVELOPMENT : UTTAR PRADESH.

(Rs in lakhs)

Y E A R	ON REVENUE ACCOUNT				ON CAPITAL ACCOUNT				COMBINED		
	Irrig- ga- tion	Power Scheme	TOTAL	As % of Total Rev- enue Expt.	Multi Purpose River Scheme	Irriga- tions NaviGa- tion	Power Scheme	TOTAL	Irrig- ga- tion	Power Scheme	TOTAL
1960-61	567	126	693	5.31	-	797	479	1376	1364	705	2069
1961-62	682	149	831	6.1	-	824	431	1255	1504	580	2084
1962-63	662	217	879	5.4	-	1444	746	2190	2106	963	3153
1963-64	671	174	845	4.8	-	1440	920	2360	2111	1094	3205
1964-65	748	-	748	3.9	-	2199	1002	3201	2947	1002	3949
1965-66	779	-	779	3.5	-	2647	1454	4101	3426	1454	4880
1966-67	849	-	849	3.4	-	1856	1978	3834	2705	1978	4683
1967-68	985	-	985	3.5	953	922	2543	4418	1907	2543	5403
1968-69	-	-	-	-	1828	1358	3092	6278	1358	3092	6278
1969-70	1156	-	1156	3.1	1000	1491	3997	7913	2647	3997	7644
1970-71	1146	-	1146	2.9	1200	2175	4738	8113	3321	4738	9190
1971-72	1211	-	1211	2.8	1462	2439	4969	9870	4650	4969	11081
1972-73	1551	-	1551	3.2	1500	3272	6122	10894	4823	6122	12445
1973-74	1767	--	1767	2.8	2248*	6109	6991	15348	7876	6991	17115

COMTD. on

of Rs. 2621 lakhs were spent annually during the Third Plan. This figure increased to Rs. 4843 lakhs and Rs. 10724 lakhs during the annual and Fourth plan respectively. Relating the outlay on power and water development to G.P.F., it was noticed that it worked more than one percent in 1960-61 as compared to less than one percent of all States. From the Third Five Year Plan onward, the figure of all states and Uttar Pradesh was quite comparable and it got more than one percent by 1969-70. (Table No. 2.8^B)

In per-capita terms expenditure under this head in Uttar Pradesh and all the other States taken together was almost equal i.e. 2.8 and 2.9/^{percent} respectively in 1960-61. But from 1972-73 onward the Uttar Pradesh Govt. started spending relatively larger amount on water and power development (i.e. more than two percent) as compared to All-states (more than one percent) (Table No. 2.8^B).

Uttar Pradesh Government spent about 10 percentage points larger part of its total expenditure on agriculture and other allied services like water and power development during the period of 14 years. Amid the economic services, this was the most important sector, constituting the major portion of the outlay on economic services.

TABLE NO. 2.9.R Per Capita Expenditure of Water and Power Development and as percentage of S.D.P.
(in lakhs)

Y E A R	EXPENDITURE (COMBINED)			UTTAR PRADESH		ALL STATES	
	Irriga- tion	Power scheme	Total	As % of S.D.P.	Per capita Expenditure	As % of N.N.P.	Per capita Expenditure
1960-61	1364	705	2069	1.12	2.8	0.9	2.9
1961-62	1504	580	2084	1.07	2.8	1.6	4.9
1962-63	2106	963	5153	1.87	6.8	1.7	5.5
1963-64	2111	1094	2305	1.44	4.1	1.7	6.1
1964-65	2947	1002	3949	1.37	5.0	1.6	6.7
1965-66	3426	1454	4880	1.63	6.0	1.6	6.9
1966-67	2705	1978	4683	1.33	5.7	1.1	3.4
1967-68	1907	2543	5403	1.06	6.5	1.3	7.4
1968-69	1358	3092	6278	1.64	7.4	1.7	9.1
1969-70	2647	3997	7644	1.82	8.8	1.6	9.7
1970-71	3321	4738	9190	2.08	10.4	1.6	9.7
1971-72	4650	4969	11081	2.3	12.4	1.7	11.4
1972-73	4823	6122	12445	2.16	13.7	1.7	11.7
1973-74	7876	6991	17115	2.62	18.5	1.7	11.3
Annual Average							
III Plan	2418.8	1018.60	3854.20				
Annual Plan	1990.0	2537.66	5454.67				
IV Plan	4663.4	5363.40	11495.00				
Percentage increase in							
1973-74 over 1960-61	477.4						
1965-66 over 1960-61	151.2						
1968-69 over 1965-66	60.4						
1973-74 over 1968-69	479.9						

* Included expenditure on Multipurpose River Scheme.

EXPENDITURE ON TRANSPORT AND COMMUNICATION :

Communication is regarded as one of the important sectors of country's economy and it plays the most significant role, particularly, in the developing country²¹ Providing means of transport is much helpful to the economic advances by creating millions of additional job opportunities, securing additional revenue for exchequer and accelerating the pace of green revolution, trade commerce and industry in phenomenal proportions. The responsibility of constructing the national highways falls upon the central government whereas state government is responsible for the development of the state highways.²²

Sufficient portion out of total capital outlay had been spent on the development of the transport and communications. It accounted more than 20 percent in 1950-51. But it lost its importance (in terms of total capital outlay) by 1973-74 and accounted more than 15 percent (Table Ap. 2.8). Though in absolute term, it increased by three fold, but the expansion in expenditure was not more, subsequently its share declined.

21. Basanna, B.K. Road development in India, Financial Express July 1967.

22. Reserve Bank of India Bulletin, Road Transport and Economic Development, Nov. 1970, Number 11.

On the side of revenue Account, the State government spent more than 6 percent of its total revenue expenditure but in 1973-74 its percentage share declined to 3.2 percent. It showed a 189.4 percentage increase of combined expenditure, 159.9 and 216.6 percent on revenue and capital account respectively (Table No. 2.9). During the terminal year of the plans, the highest percentage increase was recorded in 1965-66 over 1960-61, both revenue and capital account combined.

In terms of total economic services it registered a decline of 10 percentage points against a 4 percentage points increase in case of all states taken together. It becomes quite evident from this that the U.P. State government made less provision under this head. As a result, (in terms of J.D.P.) it declined from 0.9 to 0.7 percent whereas it remained stationary in case of all states taken together. (Table No. 2.9) Expenditure on transport and communication (in terms of per-capita) increased from Rs. 2.3 in 1960-61 to Rs. 5.2 in 1973-74 against Rs. 1.0 to Rs. 2.4 in case of all states taken together.

An average of Rs. 1204 and 1434 lakhs were spent annually during the second plan on revenue and capital account respectively. This figure increased continuously

TABLE NO. 2.9 : Expenditure on Road Transport and Communication : U.P. & All States
(% in lakhs)

Y E A R	U Revenue Account	T Capital Account	A Com- bined	R As % of S.D.P.	A As % of S.D.P.	D Per Capita Expenditure	E As % of S.D.P.	S Per Capita Expenditure	H As % of S.D.P.	I Per Capita Expenditure	J As % of S.D.P.	K Per Capita Expenditure
1960-61	798(6.1)	866	1664	0.9	0.9	2.3	0.3	1.0	0.3	0.3	0.3	1.0
1961-62	883(6.5)	1060	1943	1.0	1.0	2.6	0.3	0.9	0.3	0.3	0.3	0.9
1962-63	1084(6.7)	1477	2561	1.3	1.3	3.3	0.5	1.6	0.5	0.5	0.5	1.6
1963-64	1216(6.9)	1378	2787	1.2	1.2	3.6	0.5	1.9	0.5	0.5	0.5	1.9
1964-65	1168(6.0)	1521	2770	0.9	0.9	3.4	0.5	2.1	0.5	0.5	0.5	2.1
1965-66	1669(7.6)	1734	3450	1.1	1.1	4.2	0.5	2.0	0.5	0.5	0.5	2.0
1966-67	1741(6.9)	1374	3150	0.9	0.9	3.8	0.4	1.9	0.4	0.4	0.4	1.9
1967-68	1782(6.4)	1035	2776	0.7	0.7	3.3	0.4	2.0	0.4	0.4	0.4	2.0
1968-69	1815(6.2)	1299	3849	0.8	0.8	3.7	0.4	2.1	0.4	0.4	0.4	2.1
1969-70	1850(5.0)	1674	3685	0.9	0.9	4.2	0.4	2.4	0.4	0.4	0.4	2.4
1970-71	1901(4.9)	1889	3929	0.9	0.9	4.5	0.4	2.8	0.4	0.4	0.4	2.8
1971-72	1941(4.4)	2344	4460	1.0	1.0	5.0	0.5	3.4	0.5	0.5	0.5	3.4
1972-73	1990(4.2)	2705	4699	0.8	0.8	5.2	0.4	3.2	0.4	0.4	0.4	3.2
1973-74	2074(3.2)	2742	4816	0.7	0.7	5.2	0.3	2.4	0.3	0.3	0.3	2.4
ANNUAL AVERAGE												
III Plan	1204	1434	2692.2	—	—	—	—	—	—	—	—	—
Annual Plan	1779.3	341.6	3025	—	—	—	—	—	—	—	—	—
IV Plan	1951.4	2270.8	4319.6	—	—	—	—	—	—	—	—	—
PERCENTAGE INCREASE												
In 1973-74 over	159.9	216.6	189.4	—	—	—	—	—	—	—	—	—
1960-61												
1965-66 over	109.1	100.2	107.3	—	—	—	—	—	—	—	—	—
1960-61												
1968-69 over	8.7	25.1	8.7	—	—	—	—	—	—	—	—	—
1965-66												
1973-74 over	14.3	111.1	52.1	—	—	—	—	—	—	—	—	—
1968-69												

NOTE : Figures in bracket are percentages to total Revenue Expenditure

* These figures have been taken from Road Transport, 1969, booklet, for the period 1960-61 to 1969 and data from 1970-71 to 1973-74 from statistical Abstract of U.P.

and went up to Rs. 1779.3, and Rs. 1951.4 lakhs respectively on revenue account during the annual and Fourth Plan. On the side of capital account the annual average expenditure declined to Rs. 741.6 lakhs during the annual plan but it again increased to Rs. 2270.8 lakhs in Fourth Plan (Table No. 2.9).

EXPENDITURE ON INDUSTRY AND MINERALS :

Industrial development is quite important for the planned economic development to ensure balanced growth of two economy. In the backward state, like Uttar Pradesh, it is necessary to help the industrial sector in order to increase the account of investment, production and employment in the State. Most of the large scale industries and minerals are run by the centre. State's participation in the development of these industries is limited. Mostly the rural and small scale industries are run by the state government. These industries are run by the state government, providing more employment opportunities, with lower capital component requiring most of their raw materials available at the local level.²³ Development of several mineral deposits as well as some potential metallic mineral funds exploit the industry.

23. Draft Sixth Five Year Plan 1980-85 Review,
Volume I, Government of U.P., Planning Department
p.391.

Expenditure under 'industries' includes expenditure on many industrial projects, particularly for the modernization and revitalisation of industry. It also includes expenses made on management and training Institutions loans to handloom industry, establishment of ware-housing, trade centre, expansion of industrial state etc.

Pattern of public expenditure under this head showed a circuitous path both the absolute term and in terms of total revenue expenditure. In absolute term, it increased from Rs. 292 lakhs in 1960-61 to Rs. 658 lakhs in 1973-74 i.e. three times more. In terms of total revenue expenditure, it declined from 2.2 to 1.0 percent during the same period (Table No. 2.10).

On the side of capital account, it increased more than ten times in absolute terms, and in term of total outlay, it increased from 2.1 to 6.2 percent. A larger capital outlay was spent during the Fourth Plan Period. As a result its average annual expenditure, which was Rs. 304.0 lakhs during the IIIrd Plan, increased 4 times more during the Fourth Plan, i.e. Rs. 1132.60 lakhs (Table No. 2.10).

On revenue account during the period of Second Plan, the State Government spent, on an average Rs. 348 lakhs per annum which increased to Rs. 659 lakhs during the annual plan but it later on declined to Rs. 374 lakhs in the Fourth Plan.

TABLE NO 2.10 : Expenditure on Industry and Minerals.

Y E A R S	EXPENDITURE				UTTAR PRADESH		ALL STATES	
	On	As % of total	On	Com-	(5) as % of	Per capita	As % of	Per capita
	Revenue Account expenditure	Revenue expenditure	capital Account	bined	of S.D.P.	expenditure	N.H.P.	expenditure
1960-61	292	2.2	98	390	0.2	0.5	0.4	1.3
1961-62	317	2.3	250	567	0.3	0.8	0.5	1.6
1962-63	385	2.4	384	769	0.4	1.01	0.5	1.6
1963-64	432	2.5	438	1639	0.7	2.1	0.4	1.4
1964-65	347	1.8	213	560	0.2	0.7	0.4	1.6
1965-66	259	1.2	235	494	0.2	0.6	0.5	2.0
1966-67	228	0.9	545	773	0.2	0.9	0.4	2.4
1967-68	903	3.2	1245	2148	0.0	2.6	0.4	2.4
1968-69	848	0.8	997	1845	0.5	2.2	0.6	3.4
1969-70	517	0.9	834	1151	0.3	1.3	0.5	2.8
1970-71	314	0.9	1035	1349	0.3	1.5	0.4	2.6
1971-72	313	0.7	1452	1765	0.4	1.9	0.4	2.4
1972-73	551	0.7	1282	1833	0.3	2.0	0.4	2.6
1973-74	658	1.0	1060	1718	0.3	0.9	0.4	2.9
Annual Average								
III Plan	348.00		304.00	805.8				
Annual Plan	659.67		929.00	1588.6				
IV Plan	374.00		1132.60	1563.1				
Percentage increase in								
1973-74 over 1960-61	125.3		981.6	340.5				
1965-66 over 1960-61	-11		139.7	18.3				
1968-69 over 1965-66	227.4		324.4	273.4				
1973-74 over 1968-69	22.4		6.3	6.9				

NOTES : Per capita is derived by dividing the expenditure data given in Reserve Bank of India Bulletins by the population data published by census of India.

SOURCE : Reserve Bank of India Bulletins for expenditure data, census of India, for population, S.D.P. and N.H.P. from State Income Estimate Bulletin of U.P. for the year 1960-61 to 1975-76.

Combining the revenue and capital outlay for the development of industry and minerals the state, spent 6 percent of its expenditure (available for economic services) which increased to 21.5 percent in 1968-69, showing a sharp decline. In 1973-74 it was only 5.2 percent (Table No. 2.10). In 1968-69 the state government made larger provision under this head both on revenue and capital account. As a result of that average expenditure per-annum recorded highest during the Annual Plan i.e. Rs. 1588.6 lakhs than Third and Fourth Plans amounting Rs. 805.8 lakhs and Rs. 1563.2 lakhs respectively.

The revenue outlay under this category increased by more than 123.5 percent against 981.6 percent on capital account. Both of these combined, registered an increase of 340.5 percent during the period (between 1960-61 to 1973-74 (Table No. 2.10).

Relating this combined outlay on industries and minerals to G.D.P. it was noticed that it did not exceed even exactly one percent throughout the period both in U.P. State and all-States taken together. But one thing important that is to be noted down in this context is that in case of U.P. State, the percent increased from 0.2 to

0.3, whereas in all states when taken together it declined from 0.4 to 0.3 percent between 1960-61 to 1973-74. In per-capital term, the U.P. State spent a relatively smaller amount on industries and minerals than the all-states taken together.

EXPENDITURE ON INDUSTRIES BY ITS MAJOR HEADS :

The following table gives us an exact idea about the pattern of expenditure on large and Medium Industries. Under the Second Five Year Plan the state government made

Break-up of Expenditure on Industries and Minerals

Heads	(P. in lakhs)			
	Second Plan	Third Plan	Annual Plan	Fourth Plan
Large and Medium Industries	376	714	1314	2372
Mineral Development	6	25	35	95
Village and Small Industries	910	1331	394	2010
Total	1292	2070	1743	13882

SOURCE : FOURTH FIVE YEAR PLAN, P.47.

larger provision for village and small scale industries in comparison to large and medium industry. The same case dealt

with the Third and the Annual Plan. The State made provision for more expenses on large and medium industry as compared to village and small industries under the Fourth Five Year Plan. Mineral development stood to Third number in all the plans.

Expenditure on large and medium industry increased by more than 6 times (varying from second to Fourth Plan). Whereas village and small scale expenditure increased only more than two times. Mineral Development showed a significant increase by 15 times more during the same period. The percentage increase on large and medium expenditure was estimated at 49.3 in case of small and village industries, it was whereas 123, and in case of mineral development, it was significant, i.e. 1683 percent.

The State outlay on the side of mineral development registered the highest percentage increase i.e. more than 15 fold. The small scale industries increased by only two times, whereas the large and medium industries increased by about 6 times more. The village and small scale industries compel our attention and deserve priority as these industries contribute a substantial portion of industrial out put. They promise large scale employment,

in rural and urban sector, thereby raising the standard of living. As a result it becomes necessary to expand expenditure (on this category) so as to enlarge their spheres of activity.

EXPENDITURE ON SOCIAL SERVICES {

Now we shall analyse the expenditure pattern of social services on revenue account. Some of the expenditure have shown a significant change in the pattern of the social services expenditure. In order to analyse the trends of its major heads we have calculated all the items in terms of total revenue expenditure and in terms of developmental expenditure. It is interesting to note that the developmental expenditure under social services on capital account has never been significant during the period under study. The expenditure incurred on these services hardly constituted more than 4 per cent of its total expenditure. Due to insufficient magnitude it needs no analysis. Whatever data was available in the last two years of Fourth Plan, is included, while analysing it in terms of S.D.P. and per capita expenditure.

EXPENDITURE ON EDUCATION :

Education is one of the most important factor for achieving economic development and technological progress.²⁴ Expenditure on education treated as expenditure on human capital. A country continues to remain under development as long as its human resources remained under developed.²⁵ Most of the countries are backward not only due to inadequate supply of physical and financial resources but also due to lack of knowledge, skilled person and technicians. Therefore, it is very important for the developing country to develop thier human resources.²⁶

Government made expenditure on education in the form of construction of Universities, Schools, Libraries, hostels, grant for appointment of additional teachers in Zila Parishad, Municipal board, grant in form of scholarship, travel grant for study abroad and attending conference etc. Government also made expenditure on the extension of N.C.C. Schemes, Youth Welfare Programme,

24. Third Five Year Plan page, 573
Government of Uttar Pradesh.

25. Schultz. T.W. 'Anvertment in Human Capital'.
American Economic Review March 1961.

26. D.N. Dube Human Capital and Economic Growth
AICC Economic Review May 1, 1967.

establishment of directorate of cultural affairs etc.

As the education is the largest single head of developmental expenditure, on revenue account it signify that State made large provision for expenditure under this head. Expenditure on education shows a considerable and significant change in the pattern of public expenditure. As it is clear from the table No. 2.11 that it constituted more than 20 percent of total revenue expenditure in 1973-74 while in past it constituted only 13 percent (Thirteen percent). In 1960-61 it was civil administration which was the largest single head on revenue account.²⁷ Expenditure on education in terms of total expenditure shows a slightly fluctuating figure whereas in absolute term it shows a continuous increasing trend. In 1960-61 expenditure on education amounted Rs. 1780 lakhs increased to Rs. 13051 lakhs by 1973-74, registering an increase of 633.2 percent and accounted more than 50 percent of the total social service expenditure in 73-74.

In the beginning 13.6 percent of the total revenue expenditure was devoted to education which registered an increase of nearly 6 percentage points (to 20.5 percent) by 1973-74 (Table No. 2.11). This figure is comparable to

27. Techno Economic Survey of U.P., 1965, p.236.

TABLE NO. 2.11 : EXPENDITURE ON EDUCATION

(Rs in lakhs)									
Y E A R	Expen- diture	U T T A R		P R A D E S H		A L L I N D I A			
		As % of Total		As % of		As % of Total		As % of	
		Rev. Exp.	S.D.P.	Rev. Exp.	S.D.P.	Revenue Exp.	N.N.P.	Revenue Exp.	N.N.P.
1960-61	1780	13.6	0.96	2.43		10.0	0.67		4.4
1961-62	2379	17.5	1.22	3.19		20.1	0.73		5.2
1962-63	2601	16.1	1.29	3.42		18.5	0.78		5.5
1963-64	2786	16.1	1.25	3.60		18.4	0.75		6.1
1964-65	3384	17.5	1.17	4.30		18.5	0.71		6.8
1965-66	4474	20.3	1.49	5.59		18.2	0.71		7.9
1966-67	4585	18.2	1.30	6.62		18.0	0.78		8.6
1967-68	5356	19.3	1.31	6.46		19.8	0.95		10.4
1968-69	6142	20.7	1.60	7.27		19.9	0.88		11.8
1969-70	7948	21.6	1.89	9.24		20.1	0.94		13.1
1970-71	7503	22.1	1.69	8.56		21.4	0.94		14.9
1971-72	9559	21.9	2.15	10.7		20.1	1.05		16.1
1972-73	11163	23.4	1.93	12.3		20.2	1.20		17.6
1973-74	13051	20.5	2.09	4.1		20.5	1.00		19.9
ANNUAL AVERAGE									
III Plan	3124.8	—	—	—		—	—		—
Annual Plan	5364.0	—	—	—		—	—		—
IV Plan	9844.8	—	—	—		—	—		—
PERCENTAGE INCREASE IN									
1973-74 over	633.2	—	—	—		—	—		—
1960-61		—	—	—		—	—		—
1965-66 over	151.3	—	—	—		—	—		—
1960-61		—	—	—		—	—		—
1968-69 over	77.6	—	—	—		—	—		—
1965-66		—	—	—		—	—		—
1973-74 over	100.4	—	—	—		—	—		—
1968-69		—	—	—		—	—		—

SOURCE : Reserve Bank of India Bulletin, various issues.

all states which also spent 20.5 percent in 1973-74 of its total revenue expenditure on education, but it registered an increase of two percentage points. It is evident that Uttar Pradesh spent a slightly large amount on education of its total revenue than all States taken together over the period under study.

From the economic point of view, education is an important kind of capital investment.²⁸ The investment take the form of human characteristics instead of bricks, mortar, and machinery. The effect on production, however is the same. Thus the education which was considered a social service, can also be regarded as economic service.

Though the development of education is the main responsibility of the State government but Central government also finance a subsequent part of education. In case of Central government though it was less than the State. As the rate of increase of educational expenditure was higher than that of the all States expenditure, consequently expenditure on education as a proportion of S.D.P. was also higher than that of all States. In U.P. it was 2.09 in 1973-74 against 1.00 in case of all States taken together. (Table No. 2.11). The factors responsible for the highest

28. Government of India, Ministry of Education, Annual Report, 1978-79, p. xi.

increase in educational expenditure was, increased in emoluments to primary, secondary and University teacher. The spreading of Science, education, provisions of merit scholarship, social assistance to children of low paid public servants and as a result of proposal for unification and revision of scale were also responsible for the phenomenal growth in this sector.²⁹

The magnitude of the task facing the State could be realised from the fact that U.P. has to provide educational facilities for about 17 percent of country's children.³⁰ The per capital expenditure on education in 1960-61 was Rs. 2.43 increased to Rs. 5.59 in 1965-66 to Rs. 7.24 in 1968-69, it doubled in the end of Fourth Plan i.e. Rs. 14.1 in 1973-74.

Component-wise the rate of growth was the highest in case of elementary education during the three plan periods as it is evident from the following tab. Expenditure on primary education in the second plan was Rs. 841 lakhs, it

29. Povel L.S. State Finances in India, Sultanchand and Sons, Delhi, 1971, P. 103.

30. Draft Sixth Five Year Plan Government of Uttar Pradesh, P. 301.

was increased to Rs. 3791 lakhs in the Fourth Plan (i.e. four times).

COMPONENT-WISE OUTLAY ON EDUCATION DURING THE
PLAN PERIODS : UTTAR PRADESH

Plan Period	Elementary Education		Secondary Education		Higher Education		Others		Total	
	Exp.	/	Exp.	/	Exp.	/	Exp.	/	Exp.	/
Second Plan	841	54	297	21	175	12	118	8	1431	100
Third Plan	295	66	741	17	994	11	287	8	4474	100
Annual Plans	732	60	240	20	230	18	029	2	1236	100
Fourth Plan	3791	67	990	17	638	11	282	5	5718	100

SOURCE : DRAFT SIXTH FIVE YEAR PLAN 1980-85
(Review) VOL. I U.P. 1980.

The expenditure on Secondary education also increased more than 3 times from Rs. 297 lakhs to Rs. 990 lakhs during the second and Fourth Plan Period. In terms of percentage it registered a decline of 4 percentage points against 9.8

percentage points increase on primary education. Expenditure on higher education also recorded one percent decline in Fourth Plan against Second Plan, though in absolute terms it indicated a three fold increase during the same period. As the priority was given to elementary education the percentage increase in Fourth Plan period over Second Plan was more i.e. 350.8 than the percentage increase in total expenditure i.e. 299.6 percent during the same period.

Despite the fact that a major portion of revenue expenditure was observed for educational development, and U.P. spent a larger share of its State domestic product than all State's proportion of Net National Product. The percapita expenditure in U.P. has been less throughout the period than all States^{This} indicated that U.P. government was spending less in per capita term. Thus the expenditure might be more on education as Uttar Pradesh is the fifth educationally backward State. Kerala and Punjab which are educationally advanced State spent two or three times more of its S.D.P. on education in comparison to U.P. State.³¹ In order to narrow this gap there was a need to expand the expenditure under this head.

31. Uttar Pradesh, lagging in Literacy * Commerce, August, 1977.

Expenditure on Natural Calamities Relief

State government also spends some money on relief works on account of natural calamities. However, it often happens that the seriousness of a calamity calls for relief measure and consequent expenditure which may be of an order beyond the means of a State in a particular year. In such a case the State government calls upon the Centre for financial assistance.

Measure for relief of distress on the occurrence of natural calamities differ in case of floods, cyclones earthquakes etc. Floods are a regular feature in Uttar Pradesh. The damages on account of floods in the State are the highest in the country. A study of the damages by floods shows that out of total area of 294.4 lakhs hectares in Uttar Pradesh an area of 24.71 lakhs hectares in an average is affected by floods annually and annual loss of crops property and cattle is Rs. 7072 crores.³²

Measure for relief of distress on the occurrence of natural calamities differ in case of floods, cyclones, earthquakes and draughts. For instance in the case of flood, immediate succour has extended to the people affected on a

33. Draft Sixth Five Year Plan p. 336.

large scale and within a relative short time. For instance considerable numbers of people have to be moved to safe place, temporary accommodation for them has to be found, arrangement for their clothing and feeding have to be made, they may have to be assisted with small grant. State government has to incur substantial expenditure on transportation, drinking water arrangement of medicines etc. During the plan periods the funds allocated to flood protection were quite inadequate considering the flood damages. The allocation of funds in the plan periods in U.P. vis-a-vis other States are given below:-

Expenditure in lakhs of Rs.

State	II Plan	III Plan	1966-69	IV Plan
Uttar Pradesh	799	620	311	2180
Bihar	1988	1365	531	2362
West Bengal	231	433	275	2265
Punjab	389	2060	597	1281
Madhya Pradesh	134	833	371	383

Source: Draft Sixth Five Year Plan 1980-85

(Review), Vol. I, Govt. of U.P. Planning Dept.

In case of drought and other natural calamities, problem faced by State government are somewhat different. Expenditure made on natural calamities as a whole is given in table no. 2.12.

TABLE NO. 2.12

Expenditure on Natural Calamities : Uttar Pradesh (On Reserve Account)

(Rs in lakhs)

Y E A R	Expen- diture	As % of Total Revenue Exp.	As % of S.D.P.	Per Capita Expenditure
1960-61	205	1.3	0.1	0.28
1961-62	176	1.3	0.09	0.23
1962-63	106	0.6	0.05	0.14
1963-64	137	0.8	0.007	0.18
1964-65	82	0.4	0.03	0.10
1965-66	76	0.3	0.02	0.09
1966-67	87	0.3	0.02	0.11
1967-68	477	1.7	0.11	0.57
1968-69	125	0.4	0.03	0.15
1969-70	572	1.4	0.14	0.66
1970-71	416	0.6	0.09	0.47
1971-72	1221	2.8	0.27	1.37
1972-73	1648	0.5	0.29	1.82
1973-74	2184	2.1	0.35	2.36
<u>ANNUAL AVERAGE</u>				
III Plan	115.4	—	—	—
Annual Plan	229.6	—	—	—
IV Plan	1208.2	—	—	—
<u>PERCENTAGE INCREASE</u>				
In 1973-74 over 1960-61	965.3	—	—	—
1965-66 over 1960-61	-63.5	—	—	—
1968-69 over 1965-66	64.2	—	—	—
1973-74 over 1968-69	1647.2	—	—	—

SOURCE : Reserve Bank of India Bulletins, various issues.

It is evident from the table that expenditure on this head increased ten-fold more against a seven times more increase on medical and public health services. Expenditure on this head increased from Rs.205 lakhs in 1960-61 to Rs.2184 lakhs in 1973-74 registering an increase of 965.3 percent which was the highest percentage increase amid the all social services. Highest percentage increase under this head took place in the terminal year of Fourth Plan over the terminal year of annual plan i.e. 1647.2 per cent. As the expenditure on this head declined from Rs.205 lakhs in 1960-61 to Rs.76 lakhs in 1965-66 so it showed a percentage decline of 63.5 in 1965-66 (Table 2.12).

On an average expenditure on natural calamities per annum during the Third Plan period was Rs.155.4 lakhs increased to Rs.229.6 lakhs and Rs. 1208.2 lakhs during the annual and Fourth Plan respectively.

Expenditure on this head in terms of total revenue expenditure increased from 1.3 per cent in 1960-61 to 2.1 per cent in 1973-74 registering an increase of only 0.8 per cent (Table no. 2.12). In terms of State domestic product it registered sharpe increase from 0.1 in 1960-61 to 0.35 in 1973-74. But it always remained less than one percent throughout the period. During the Fourth Plan period highest percentage

increase and the social services expenditure took place in case of natural calamities. As a result expenditure on this head it was less than one percent by 1970-71, was more than two percent in 1973-74.

MEDICAL AND PUBLIC HEALTH SERVICES :

Health is accounted as the second most important social input.³² Good health accelerates the working efficiency of the people to produce more goods which, in turn increases the per-capita income of a nation.³³ An access to education and health alone can enable the poor to avail themselves of the higher income earning opportunities, created by overall growth.³⁴

Expenditure on Medical and public health services is the second largest item of development expenditure on revenue account. It refers to the expenses made on the

-
- 32. Draft Sixth Five Year Plan, Government of U.P., Planning Division. p. 487.
 - 33. Economic Development and Investment in Human capital Indian Journal of Economics, April 1967, p. 455.
 - 34. Economic and Social survey of Asia and PACIFIC 1979 U.N. P. 114.

establishment of medical hospitals, dispensaries, laboratory charges relating to the rural upliftment scheme and control of communicable diseases, safe water supply basic nutrition and family planning.

In order to spread the health services and in order to bring them within the reach of all people, government expenditure on this head showed an increasing trend. During the period under study, expenditure on medical and public health services as a whole, increased from Rs. 740 lakhs to Rs. 4983 lakhs, experiencing an increase of seven times more against a six times increase on education (Table No. 2.13). It constituted nearly more than one fifth of total social services expenditure and 10 percent of total development expenditure.

On an average of Rs. 1147 lakhs was spent per year during the Second Plan period which increased to Rs. 2120 lakhs during the annual plan. It further stepped up to Rs. 3934 lakhs during the Fourth Plan period. Average annual expenditure increased only two times more during Second and Fourth Plan against a four fold increase in case of education. (Table No. 2.13).

TABLE NO. 2.13 : Expenditure on Medical and Public Health Services as a percent of S.D.P. and in per capita terms (On Revenue Account)
(Rs in lakhs)

Y B A R	Expen- diture	T T A R		P R A D E S R		A L L S T A T E S					
		As % of total	Rev. Exp.	As % of	S.D.P.	As % of total	Rev. Exp.	As % of	N.P.P.	Per Capita	Expenditure
1960-61	740	5.6	5.6	0.4	0.4	1.0	8.2	0.6	0.6	2.8	2.8
1961-62	877	6.4	6.4	0.4	0.4	1.2	8.3	0.7	0.7	2.8	2.8
1962-63	1077	6.1	6.1	0.5	0.5	1.4	8.1	0.7	0.7	2.5	2.5
1963-64	1096	6.2	6.2	0.5	0.5	1.4	8.1	0.6	0.6	2.5	2.5
1964-65	1126	7.4	7.4	0.4	0.4	1.4	8.1	0.6	0.6	1.9	1.9
1965-66	1562	7.1	7.1	0.5	0.5	1.9	7.8	0.7	0.7	1.7	1.7
1966-67	1931	7.7	7.7	0.5	0.5	2.4	7.7	0.7	0.7	1.9	1.9
1967-68	2016	7.2	7.2	0.6	0.6	2.4	8.6	1.8	1.8	2.6	2.6
1968-69	2413	8.2	8.2	0.6	0.6	2.8	8.5	0.7	0.7	3.2	3.2
1969-70	3930	10.7	10.7	0.9	0.9	3.6	7.6	0.7	0.7	3.4	3.4
1970-71	3246	9.5	9.5	0.7	0.7	3.7	8.4	0.8	0.8	3.6	3.6
1971-72	3336	7.6	7.6	0.7	0.7	3.7	8.8	0.9	0.9	4.2	4.2
1972-73	4876	8.8	8.8	0.7	0.7	4.6	9.2	0.9	0.9	4.6	4.6
1973-74	5614	7.8	7.8	0.8	0.8	5.4	9.7	0.9	0.9	5.4	5.4
ANNUAL AVERAGE											
III Plan	1147.0	—	—	—	—	—	—	—	—	—	—
Annual Plan	2120.0	—	—	—	—	—	—	—	—	—	—
IV Plan	3934.8	—	—	—	—	—	—	—	—	—	—
PERCENTAGE INCREASE IN											
1973-74 over	558.9	—	—	—	—	—	—	—	—	—	—
1960-61	—	—	—	—	—	—	—	—	—	—	—
1965-66 over	111.1	—	—	—	—	—	—	—	—	—	—
1960-61	—	—	—	—	—	—	—	—	—	—	—
1968-69 over	54.4	—	—	—	—	—	—	—	—	—	—
1965-66	—	—	—	—	—	—	—	—	—	—	—
1973-74 over	132.6	—	—	—	—	—	—	—	—	—	—
1968-69	—	—	—	—	—	—	—	—	—	—	—

SOURCE : Reserve Bank of India Bulletins, various issues.

* Included Rs 401 lakhs, and Rs 631 lakhs on Capital Account. Accept these two data for other years were not available.

The share of expenditure to the total revenue expenditure on medical and public Health services increased from 5.6 percent to 78 percent between 1960-61 to 1973-74. Medical and public health services as a whole increased by 558.9 percent, indicating a growth rate of 36.2 percent per annum. The highest percentage increase took place in 1973-74 over 1968-69 and the lowest in 1968-69 over 1965-66. Expenditure on medical and public health services showed a continuous increase, as a result its percentage share in terms of state domestic product increased from 0.4 to 0.8 percent. But in comparison to all the states as taken together, it spent slightly less throughout the period (Table No. 2.13). During the period 1960-61 to 1973-74, U.P. State registered an increase of 4 percentage points^{whereas} all states registered an increase of 3 percentage points.

In per-capita terms, expenditure on medical and public health services as a whole increased from Rs. 1.0 in 1960-61 to Rs. 5.4 in 1973-74, whereas the expenditure made by all States taken together, increased from Rs. 2.2 lakhs in 1960-61 to Rs. 5.4 lakhs in 1973-74, registering an increase of 3 percentage points against an increase of 4 percentage points in case of U.P. State (Table No. 2.13).

Several factors are responsible for the increasing expenditure on these two services. The increase in total population roughly 13.6 million per year at this time - necessitating more services because of more people.

The tremendous migration of population to urban areas. In recent years many persons are moving from other states to U.P., particularly from Bihar, creating new community needs. The further growth of urban and sub-urban areas, placing a heavy burden on states own taxes for community facilities such as schools and teachers, hospital and other government services.

In a welfare state, it is primarily the duty of a state to provide adequate social security to all its citizens, especially to the most poor and the vulnerable sections of the society. Social welfare scheme aims basically at enabling the handicapped persons to live in the society, fit to be both socially and physically, self reliant and to provide security to those who need it most. Special difficulties faced by the individuals regarding low income, marginal skills, low education and fixed income was due to the inflation.

There is a growing demand push for some new and costly drugs, vaccines, medical hospitals and rehabilitation services which have resulted in an increase in such expenditure.

In order to meet the explosive population-growth ahead, a substantial increase in health, education and welfare expenditures will be required.

NON-DEVELOPMENTAL EXPENDITURE :

The primary objective of modern Government is to maximise the welfare of the people . The state government performs different functions for the development. The State government also maintained certain non economic determinants which serve as helpfull devices for economic development. Internal peace and maintenance of law and order are the other prerequisites for rapid development which falls under the responsibility of the state.

The state is also responsible to stampout narrow communalism and to put down atrocities against the weaker sections with a heavy hand and to inspire a sense of security. So in a planned developing economy

expenditure on these services are unavoidable. In the words of Lee Fishman 'Economic growth is closely related to the general level of economic activity, slowing down when the level of economic activity is high'.³⁵ Indirectly these services play an important role in the economic development of the state.

However, if we assume that there is full employment or near to the full employment of economic resources then we can argue with much conviction that large amount of expenditure on general services are served to impede our economic growth. These services are necessary, though from economic point of view these services are unproductive and wasteful. Resources devoted to these services do not raise to our current standard of living, nor do they increase capacity to produce more goods and services in the future. Further more an increasing expenditure on these services tend to have a stimulating or inflationary effect on economy.

EXPENDITURE ON CIVIL ADMINISTRATION :

Expenditure on civil administration includes; expenditure on general administration, police, Jails and

35. Federal expenditure policy for economic growth and stability, November 5, 1957, Washington, p.52.

Justice. Expenditure on general administration consists of salaries and allowances of the Governor, Ministers, expenditure on state legislature, and the expenditure on secretariate, district officers and their maintenance.

The over all expenditure on general administration increased by 136.4 percent. The rate of increase of expenditure on Civil administration was more than on Jails and Justice (as indicated in Table No. 2.14). The share of expenditure on general administration to total revenue expenditure declined from 5.4 percent in 1960-61 to 2.7 percent in 1973-74. While in absolute terms it increased more than twice. On an average Rs. 1469.6 lakhs spent annually during the Annual Plan (i.e. 1967-68 to 1968-69) which increased to 1955.2 lakhs during the Fourth Plan (Table No. 2.14).

It recorded the highest percentage increase of 110.4 in 1965-66 over 1960-61 and lowest 0.20 in 1968-69 over 1965-66. The expenditure on 'Police' which consist expenditure on police force required for extra-ordinary duties, police training schools, railway protection police, state fire services section, criminal investigation department including intelligence section and investigation

TABLE NO. 2.14

Expenditure on Civil Administration : U.P. (On Revenue Account).

(Rs in lakhs)

Y E A R	General Administration	Police	Jails & Justice	Total
1960-61	709(5.4)	1071(8.2)	583(4.4)	2363(18.0)
1961-62	962(5.3)	1147(8.1)	347(4.3)	2456(18.0)
1962-63	N.A.	N.A.	N.A.	2845(17.6)
1963-64	N.A.	N.A.	N.A.	2884(16.6)
1964-65	N.A.	N.A.	N.A.	3228(16.7)
1965-66	1492(5.6)	1615(7.3)	647(4.0)	3754(17.1)
1966-67	1422(4.1)	1698(7.2)	715(3.6)	3910(13.9)
1967-68	1459(5.2)	1915(6.8)	845(3.1)	4219(15.2)
1968-69	1495(5.0)	2337(7.9)	954(3.2)	4786(16.3)
1969-70	1620(4.4)	2669(7.3)	1044(2.8)	5333(14.4)
1970-71	1547(4.5)	2560(7.5)	932(2.7)	5039(17.7)
1971-72	1622(3.7)	2746(6.3)	1059(2.4)	5424(12.4)
1972-73	1531(3.2)	3136(5.6)	1083(2.3)	5750(12.1)
1973-74	1676(2.7)	3321(5.4)	1343(2.2)	6340(10.2)
<u>ANNUAL AVERAGE</u>				
III Plan	--	--	--	3033.4
Annual Plan	1469.6	1983.3	839.3	4171.3
IV Plan	1599.2	2886.4	1092.2	5577.2
<u>PERCENTAGE INCREASE</u>				
In 1973-74 over 1960-61	136.4	210.1	130.4	168.3
1965-66 over 1960-61	110.4	50.8	10.9	58.9
1968-69 over 1965-66	0.20	44.7	75.3	27.5
1973-74 over 1968-69	12.1	42.1	28.9	32.5

SOURCE : Reserve Bank of India Bulletins, various issues.

NOTE : FIGURES in bracket are percentages to total revenue expenditure.

section etc. Expenditure on police was incurred to maintain law and order in the State, Central and State government made expenditure on this head, though it is the responsibility of the State to maintain law and order. The centre is directly responsible for law and order in the Union Territories only. In addition, the Centre has to undertake the security of the country's international borders.³⁶

The expenditure on police consists^{of} the highest magnitude of total civil administration and accounted the highest percentage increase of 210 percent. In 1960-61 it accounted 45 percent of total expenditure on civil administration and 8 percent of total revenue expenditure which declined to 5.4 percent in terms of total revenue expenditure in 1973-74 (Table No. 2.14). But in terms of total civil administration it registered an increase of 7 percent points as it was 52.3 percent in 1973-74.

On an average in fourth plan annual expenditure on this head was Rs. 2883.6 lakhs in Fourth Plan. As compared to Annual Plan expenditure Rs. 1983.4 it amounts

36. Reddy K.N. The growth of Public expenditure in India, Sterling Publishers, New Delhi, 1972, p. 100.

Continued

1	2	3	4	5	6	7	8	9	10	11	12
<u>ANNUAL AVERAGE</u>											
XII Plan	708.4	-	816.4	-	-	1710.8	910.6	2621.4	2418.8	1018.6	3854.2
Annual											
Plan	-	-	-	-	-	1388.3	2537.7	4843.3	1990.0	2537.7	5454.7
IV Plan	1366.2	-	1366.2	-	-	3297.2	5363.4	10427.6	4663.4	5363.4	11495.1
<u>PERCENTAGE INCREASE IN</u>											
1973-74											
over											
1960-61	211.6	-	154.9	-	-	666.5	1107.4	1015.2	477.4	891.2	727.2
1963-66											
over											
1960-61	37.4	-	-12.4	-	-	232.1	151.1	198.0	151.2	106.2	125.9
1968-69											
over											
1963-66	-	-	-	-	-	48.7	112.6	53.1	60.4	112.6	28.6
1973-74											
over											
1968-69	-	-	-	-	-	349.8	126.1	144.4	246.2	126.1	172.6

SOURCE : Reserve Bank of India Bulletins, various issues.

* INCLUDED 364 ON REVENUE ACCOUNT.

is doubled. The expenditure on Jails consists mainly of the maintenance charge of the population of the Jails and the cost of production of Jail manufactures, and the pay and allowances of necessary establishment. Administration of Justice consists charges on account of salaries and allowances of Judges of civil, criminal courts, magistrates and their establishment.

Expenditure on both of these items taken together increased from Rs. 583 lakhs in 1960-61 to Rs. 1343 lakhs in 1973-74 registering an increase of 130.4 percent. The expansion of these services were lesser than other services. Its percentage share to total expenditure declined from 4.4 percent in 1960-61 to 2.2 percent in 1973-74.

Expenditure on Civil administration as a whole increased from Rs. 2364 lakhs in 1960-61 to Rs. 6340 lakhs in 1973-74 registering an increase of 168.3 percent. But in terms of total expenditure it shows a sharp decline from 18 to 10 percent. On an average, annual expenditure on this head was Rs. 3033.4 lakhs increased to 4171.3 lakhs and further to Rs. 5577.2 lakhs during the annual and IV plan respectively. Highest percentage increase took place

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in 1965-66 over 1960-61. This was due to the Indo-China War.³⁷

Expenditure on Civil administration as a whole in terms of total non-development expenditure accounted 30.7 percent in 1960-61 against 37.7 percent in case of all states. But it is interesting to note that in 1973-74 increase in U.P. was more (i.e. 27.2) in comparison to all states (24.9) (Table No. 2.15). It registered a decline of about 4 percentage point against a 10 percentage point decline in case of all state. The important reason for the increase of expenditure in absolute terms was the increasing activities of government in view of welfare and development needs of the country, upward revision of pay scale and dearness allowances increasing law and order problem in the state as a result of corruption, anti dacoity operations and creation of new departments at all levels^{and} lastly a phenomenal increase in prices of each and every thing.³⁸ The rise in social tension also contributes to an increase in the state expenditure.

37. Ranohendra : Public Expenditure in India a regional Analysis, Economic Times, 1970.

38. Roy M. Sinha : Finance of State Government, Indian Economic Journal, July 1967.

TABLE NO. 2.15

Expenditure on Civil Administration as a percentage S.D.P. and
in per capita term : U.P. and All States

YEAR	U T T A R P R A D E S H			A L L S T A T E S		
	As % of Total Non- Dev. Exp.	As % of S.D.P.	Per Capita Exp.	As % of Total Non- Dev. Exp.	As % of N.H.P.	Per Capita Exp.
1960-61	30.7	1.3	3.2	37.7	1.4	4.3
1961-62	7.2	1.3	3.3	40.1	1.3	4.2
1962-63	37.7	1.4	3.7	36.5	1.4	4.4
1963-64	33.3	1.3	3.7	34.5	1.2	4.6
1964-65	35.7	1.1	4.1	30.7	1.2	5.3
1965-66	37.5	1.2	4.7	34.5	1.3	6.2
1966-67	30.1	1.0	4.3	29.2	1.2	6.6
1967-68	32.2	1.1	5.1	29.3	1.2	7.4
1968-69	33.1	1.2	5.7	30.4	1.2	6.6
1969-70	32.5	1.3	6.2	27.8	1.3	7.3
1970-71	31.4	1.1	5.7	29.4	1.3	6.3
1971-72	25.9	1.2	6.1	27.2	1.4	7.3
1972-73	25.3	1.0	6.3	26.8	1.3	7.4
1973-74	27.2	0.9	6.8	24.9	1.1	8.1

In terms of S.D.P., expenditure on Civil administration registered a decline from 1.3 to 0.9 and 1.4 to 1.1 percent in U.P. and all states respectively (Table No. 2.15). In per capita terms expenditure on this head was Rs. 3.2 in 1960-61 increased to 6.8 by 1973-74 in U.P. whereas all states taken together registered an increase of 3.8 percent during the same period, nearly equal to the increase in case of U.P. states. A comparison of most advanced state of Punjab, actual population per policeman in 1976-77 was 707 whereas in U.P. it was 1437 lakhs. In such a way crime per lakh of population was 262ⁱⁿ case of U.P. and only 91 case of Punjab. Average Jail population in U.P. was 36051 and in Punjab it was 5739.³⁹ There are much variations between a backward state of U.P. and an advanced state of Punjab. There is a need to allocate more funds to this head. As U.P. is the most populous state, police, justice and Jail services are inadequate. State government should try to strengthen and expand police force, to enable them to cope with these responsibilities which are becoming onerous and complex.

39. Report of the Seventh Finance Commission (1978),
p. 114.

INTEREST ON DEBT SERVICES :

Amid the non-development expenditure interest payment occupied second position in 1960-61, but by 1973-74 its trend had been changed and it occupied ^{the} first place. A large part of Government resources are used for unproductive purpose by way of interest payment, such as interest on loan from centre, autonomous bodies, life insurance corporations, unfunded debt etc.

Expenditure on debt services in form of interest charges was accounted Rs. 1226 lakhs in 1960-61 jumped ^{up} to Rs. 12391 lakhs in 1973-74, registering an increase of 911 percent. Such an increase in expenditure on debt services was inevitable where the state governments financed more than one-fourth of their annual outlays with the borrowed money.⁴⁰ A big chunk of the state government resources were absorbed in this item. Interest payments as a proportion of state's own tax revenue accounted for 21.5 percent in 1961-62 increased to 54.9 percent in 1973-74. This percentage was much more higher than all states taken together. Expenditure on debt services as a percentage of their own tax revenue was 11.9 in 1960-61 which increased to 36.5 in

40. Jain N. State Finances in India, Progress Publisher, Bhopal, 1970, p.54.

1973-74 (Table No. 2.16).

Expenditure on debt services has grown not only in absolute terms but also in term of S.D.P. In 1960-61 it constituted 0.5 percent of S.D.P. and increased to 5.4 percent in 1973-74. Against this all states taken together constituted 0.6 percent of this S.D.P. increased to only 1.1 percent in 1973-74. Uttar Pradesh devoted more than fifty percent of its own tax revenue and 5 percent of its S.D.P. for debt servicing. (Table No. 2.16).

In per capita terms expenditure on debt services increased from Rs. 1.7 percent in 1960-61 to Rs. 3.4 percent in 1973-74 whereas, all states per capital expenditure increased from Rs. 1.9 to Rs. 14.5 during the same period. In this regard it would be interesting to see the relative position of all states taken together, Uttar Pradesh spent a large portion of its own tax revenue throughout the years in comparison to all states. U.P. state government also spent more part of its S.D.P. in comparison to all states taken together. But in per capita terms Uttar Pradesh spent less amount of its expenditure in from of interest charges in most of the years in comparison to all states.

TABLE NO. 2.16 : EXPENDITURE ON DEBT SERVICES.

(in lakhs)

Y E A R	U T T A R				P R A D E S H				A L L S T A T E S			
	Expen- diture	As % of total	As % of total	As % of S.D.P.	Rev. Exp.	As % of total	As % of S.D.P.	Per Capita Intrest payment	As % of total own Tax Rev.	As % of N.M.P.	Per Capita Intrest payment	
1960-61	1226	9.4	21.5	0.5				1.7	18.9	0.6	1.9	
1961-62	1618	11.9	22.4	0.9				2.2	17.9	0.7	1.9	
1962-63	2555	15.8	34.1	1.4				3.4	26.8	1.8	3.3	
1963-64	2780	15.9	29.9	1.5				3.6	29.1	1.0	4.2	
1964-65	3108	16.5	32.2	1.5				3.9	27.2	1.3	4.3	
1965-66	3483	15.8	30.6	1.7				4.4	32.1	1.8	5.5	
1966-67	4992	19.8	38.8	2.5				6.1	38.3	1.5	7.2	
1967-68	5207	18.7	42.4	2.6				6.3	35.7	1.1	7.4	
1968-69	6335	21.5	47.3	3.1				7.5	38.1	1.3	8.8	
1969-70	6986	19.1	52.1	3.1				8.1	40.9	1.2	10.4	
1970-71	6964	20.4	51.7	2.9				7.9	38.2	1.1	10.7	
1971-72	10242	23.5	65.8	4.6				11.5	39.5	1.2	11.9	
1972-73	11082	23.2	74.3	4.7				12.2	36.1	1.2	12.2	
1973-74	12391	20.1	54.9	5.4				13.4	36.5	1.1	14.5	

SOURCE : Reserve Bank of India Bulletin, various issues.

TABLE NO. 2.17 : GROWTH OF PUBLIC DEBTS AND INTREST CHARGES: U.P.

(Rs in lakhs)

Y E A R	Public Debt	Intrest Charges	(3) as percent of (2)	(3) as percent of total Non-development Expt.
1960-61	6983	1226	17.5	15.9
1961-62	7328	1618	22.1	24.5
1962-63	8308	2555	30.1	33.7
1963-64	7187	2780	38.7	32.1
1964-65	10897	3108	28.7	34.4
1965-66	12528	3483	27.8	34.8
1966-67	13871	4992	35.9	42.8
1967-68	14840	5207	35.1	39.7
1968-69	14771	6335	42.9	43.8
1969-70	18017	6986	38.1	42.5
1970-71	18366	6264	37.9	43.3
1971-72	17665	10242	57.9	48.9
1972-73	22211	11082	49.8	48.7
1973-74	29254	12391	42.3	53.2
ANNUAL AVERAGE				
III Plan	9289.6	2708.8	-	-
Annual Plan	14494.1	5511.3	-	-
IV Plan	21101.6	9533.1	-	-
%age increase in 1973-74 over				
1960-61	318.9	910.6	-	-
1965-66 over				
1960-61	79.4	184.1	-	-
1968-69 over				
1965-66	17.9	81.9	-	-
1973-74 over				
1968-69	98.1	95.1	-	-

SOURCE : Reserve Bank of India, various issues.

The expenditure on debt services had increased mostly on account of the increasing debt of the state, rise in the rate of interest charges on larger appropriations for reduction or avoidance of debt.⁴¹ With an increase in debt and loan receipt, there would be an addition in interest payment and debt servicing. State borrowing had increased from Rs. 6983 lakhs to Rs. 29254 lakhs registering an increase of 318.9 percent from 1960-61 to 1973-74. The interest payments increased 910.7 percent during the same period. Interest charges as a percent of public debt also increased from 17.5 to 42.3 percent from 1960-61 to 1973-74. It means that more than 42 percent of state's borrowing used by way of interest charges. Half of the non-development expenditure was eaten up by way of interest (Table No. 2.12).

COLLECTION OF TAXES AND DUTIES :

Land revenue, sales tax and state excise duty are the main stay of the state's own tax revenue. Expenditure on collection of taxes and duties is the cost which is incurred on them.

41. Bhargava P.D. State Finances since Independence, Vora and Company Publisher, 1969, p.261.

TABLE NO. 2.18 : Cost of Collection of Taxes : Uttar Pradesh.

(Rs in lakhs)

Y E A R	Cost of Collection of taxes & duties	As % of Total Tax. Rev.	Per Capita Exp.		As % of Non-Dev. exp.	
			U.P.	All States	U.P.	All States
1960-61	968(7.4)	16.9	1.3	1.5)	12.6	16.8
1961-62	823(6.1)	11.4	1.1	1.4	12.5	16.5
1962-63	857(5.3)	11.4	1.1	1.3	11.4	12.4
1963-64	1017(6.9)	10.9	1.3	1.4	11.7	12.4
1964-65	1160(5.1)	12.1	1.5	1.5	12.8	12.0
1965-66	1271(5.8)	11.2	1.6	1.7	12.7	11.5
1966-67	1425(5.6)	11.1	1.7	1.9	12.2	11.1
1967-68	1618(5.8)	13.2	1.9	2.1	12.3	11.3
1968-69	1762(6.1)	13.1	2.1	2.5	12.2	11.4
1969-70	1985(5.4)	14.7	2.3	2.5	12.1	10.6
1970-71	1902(5.6)	14.1	2.2	2.7	11.8	11.2
1971-72	1984(4.5)	12.7	2.2	3.0	9.5	11.3
1972-73	2122(4.9)	14.2	2.3	3.2	9.3	11.7
1973-74	2162(3.4)	9.6	2.3	3.5	9.3	9.5
ANNUAL AVERAGE						
III Plan	1025.6	—	—	—	—	—
Annual Plan	1601.7	—	—	—	—	—
IV Plan	2031.1	—	—	—	—	—
PERCENTAGE INCREASE IN						
1973-74 over 1960-61	123.3	—	—	—	—	—
1965-66 over 1960-61	31.3	—	—	—	—	—
1968-69 over 65-66	38.6	—	—	—	—	—
1973-74 over 1968-69	22.7	—	—	—	—	—

SOURCE : Reserve Bank of India Bulletins, various issues.

NOTE : FIGURES IN BRACKETS ARE PERCENTAGES TO TOTAL REVENUE EXPENDITURE

Total expenditure under this head increased from Rs. 963 lakhs to Rs. 2162 lakhs from 1960-61 to 1973-74 registering an increase of 123.3 per cent . It increased only two times more during the study period. The highest percentage increase took place in the terminal year of three annual plans over the terminal year of Third Plan. The lowest percentage increase was noticed in the last year of Fourth Plan over the last year of Annual Plans (Table No. 2.13).

On an average Rs. 1025.6 lakhs were spent annually during the Third Plan. This figure continuously increased to Rs. 1601 lakhs and Rs. 2031 lakhs during the annual and Fourth Plans respectively. The amount of debt grown only in absolute terms but in relation to total revenue expenditure, total non-development expenditure, it showed a declining trend. In relation to its total revenue expenditure it declined from 7.4 percent in 1960-61 to 3.4 percent in 1973-74. It registered a 7.3 percentage points decline from 16.8 in 1960-61 to 9.5 in 1973-74, It was a satisfactory trend.

The expenditure on collection of taxes would increase as the quantum of taxation increases. As more taxes are

imposed or the tax base is widened, there would be an addition to the cost of collection of taxes. Total tax revenue of U.P. state increased from Rs. 5695 lakhs to Rs. 22561 lakhs from 1960-61 to 1973-74. Due to the decline in the cost of collection of taxes and duties, its percentage share to total tax revenue declined from 16.9 percent in 1960-61 to 9.6 percent in 1973-74. It registered a decline of 7 percentage points.

It would be interesting to see the relative position of all the states taken together in this regard. The table No. 2.18 shows that in most of the year U.P. state government spent relatively a less amount of its total non-development expenditure in comparison to all states taken together. This was a good sign. In per capita terms also U.P. government spent less amount in comparison to all states taken together.

Public expenditure during the study period from 1960-61 to 1973-74 showed phenomenal increase of four times more, of which revenue expenditure increased about five times more, whereas capital expenditure registered an increase of seven fold. This is a significant trend as more than 90 percent of capital expenditure was devoted to direct

development services.

In 1960-61 development expenditure as percent of total expenditure was more than 50, by 1973-74 this percentage increased more than 70 percent. The proportionate share of non-development expenditure to total expenditure (on revenue and capital account combined) registered a decline of more than 13 percentage points. It is very remarkable to note that on the other side development expenditure registered a similar increase i.e. 13 percentage point over the study period. All the state taken together showed a decline of 7 percentage points in case of non-development expenditure. More decline in non-development expenditure share due to less expenses on these services is not a good sign as this serves a helpful device for economic development. A proportionate increase in development expenditure highlights the increasing role of state in championing the task of development. Expenditure, on economic services which accounted 70 percent of total development expenditure in 1960-61 decline to 57 percent in 1973-74 whereas expenditure on social services in terms of total development expenditure increased from 30 to 43 percent during the same period. Amid the economic services expenditure on water and power observed the highest 30 to 52 percent of the expenditure on

economic services whereas the expenditure on mineral and industries in terms of total expenditure on economic services remained stationary.

More than 50 percent of total social services expenditure was spent on education in 1973-74,ⁱⁱ constituted the highest percentage share of total expenditure on social services where as it was more than 60 percent in 1960-61. Amid the non-development expenditure in 1960-61 it was civil administration which had occupied the first place but in 1973-74 it was interest charges which had occupied the first position. Expenditure on interest charges recorded the highest percentage increase over the study period whereas expenditure on tax collection in term of non-development expenditure registered the highest decline.

Civil administration expenditure is the single head on registering the highest percentage decline in terms of total revenue expenditure. The item which registered the highest percentage increase in terms of total revenue expenditure was interest charges on debt services.

In terms of State Domestic Product, expenditure on civil administration experienced the highest declined over

the fourteen year period whereas expenditure on debt services registered the highest percentage increase.

Per capita expenditure on water the power development increased at the highest rate. In terms of per capita expenditure lowest increase was recorded in case of expenditure on tax collection over the period under study.

CHAPTER - III

FINANCING OF PUBLIC EXPENDITURE

In this chapter efforts have been made to assess the financial requirements for economic development in Uttar Pradesh and to see how they were met through the various sources. An attempt has also been made to make an analysis of these sources in relative terms.

The State Government has to perform a large number of functions for the development of the State. The functions that have been derived from the directive principles of constitution, are social services like Education, Health Services, Social Welfare etc.¹ The State Government has also to maintain certain non-economic factors which serve as helpful devices for economic development. Internal peace and maintenance of law and order are the other prerequisites for rapid development which fall under the responsibility of the State. The State Government has also to finance the other expenditures of non-recurring nature which include the development of land and provision of facilities for better farming like minor irrigation works. soil conservation,

1. Bhargava, R.S. The fiscal impact of Federalism in India, 'MARGIN', 1979.

construction of Godowns, ware-housings, residential buildings, roads etc. In the previous chapter we have already dealt with all these functions in detail.

For meeting all these expenses, financial resources are to be mobilized. Taxation, borrowing, & grants-in-aid, are the sources of income of the States. The division of subjects and revenue resources is provided under the seventh schedule of the constitution.²

Under the State list, the State Governments have the sole jurisdiction to levy them and the entire proceeds 'credited to the consolidated' fund of the States are utilized for only State purposes. The State is authorized to levy land revenue, excise duties, sales tax and agricultural income tax etc. The State requires enough financial resources for efficient performance of functions and the resources allocated to the State are not enough to fulfil the responsibilities assigned to them. So devolution of resources from centre to State is essential in view of the increasing functions of the State and with her limited resources. The transfer of resources from union to State is a salient feature of our constitution.

2. THAKUR, S.S. KAMAL H.S., A Critical Study of Centre & States Financial Relations in India. The Indian Journal of Economics, July 1971, Vol. XII, No. 204.

The State gets share of the proceeds of the income tax, excise duties, State duty, share of tax on Railway fare, grants-in-aid, and loans on the basis of recommendation of the Finance Commission.

Taxation is the most important source of financing expenditure. In the words of Heller - "The level of expenditure depends much more heavily on the ability of tax system to place the required revenue at the disposal of the Government".³

Uttar Pradesh which is a backward State has small savings; consequently it forms very small amount of saving. It has been below 5% in India and it often goes into unproductive form such as purchase of land, jewellery etc.⁴ Taxation plays an important role by directing resources from unproductive to productive function. Financing of Public expenditure through borrowing creates a problem for the future generation in the form of adverse effects on the economy. Since the State has to pay out large sum of money as interest, taxation does not create such problems. In the words of H.J. Bluch- "In the early stage of Economic development greater weightage may be given to revenue consideration in order to raise the adequate tax revenue to finance Economic development".⁵ But it does not imply that all

3. Taxes and Fiscal policy in Under developed countries, New York 1959, p.6.
4. James, Cutt, Taxation and Economic Development in India p. 29, 1969, London, p.46.
5. The limit of taxable capacity, Princeton National Journal London 1953, p. 171.

development and non-development expenditure on revenue and capital accounts are financed by taxation. Loans have their own importance.

The capital expenditure is mainly financed not by revenue surplus but by borrowing. Due to the ever-increasing expenditure on revenue accounts, mostly budgets resulted in deficits. Thus the borrowing has been an important source for financing capital expenditure.

The important sources of financing State expenditure in Uttar Pradesh are, 'States own revenue', 'share in central revenue' (in form of shared taxes and grants-in-aid); and borrowings. Amid these sources State's own revenue is the very momentous source of financing expenditure. It contributed nearly fifty percent to the total receipts. It shows a declining percentage in 1973-74 over 1960-61. The second important source was borrowing or capital receipts. It contributed nearly one third of aggregate receipts. It registered an increase in its percentage share. Third important source was share in central taxes and grants-in-aid, both taken together contribute one fourth to aggregate receipts. It also accounted an increase in its percentage share (Table No. 3.1) States own revenue, and revenue transferred from centre are mainly used to finance revenue expenditure whereas borrowing involve finance disbursement on capital account.

TABLE NO. 3.1

SOURCES OF FINANCING STATE EXPENDITURE IN UTTAR PRADESH

(Rs in lakhs)

Y E A R	States own Revenue 2	(2) as % of (3)	Share in Central Revenue of (3)	4	(4) as % Revenue of (3)	5	Borrowing of (8)	6	(5) as % of (8)	Aggregate Receipts 8
1960-61	10535	52.4	5118		25.4		6584		32.7	20116
1961-62	12070	58.3	5227		25.0		7157		34.4	20027
1962-63	13508	54.1	6533		22.3		10402		41.1	25266
1963-64	15448	58.5	5548		20.7		9832		36.7	26749
1964-65	15759	47.4	7013		21.1		13564		34.6	33217
1965-66	20535	52.1	7759		19.8		16728		40.6	39146
1966-67	22826	55.5	9421		23.1		15967		32.5	41140
1967-68	23804	48.5	11068		22.5		19193		35.3	49103
1968-69	24794	46.1	11997		22.2		22050		40.5	53997
1970-70	25778	473	11686		21.5		22666		41.6	54441
1970-71	27138	46.2	17869		30.4		19725		33.6	58677
1971-72	28987	42.2	22054		32.0		24029		34.9	68741
1972-73	29171	41.4	23147		32.8		24566		35.5	70459
1973-74	47355	46.0	28704		27.9		36055		35.0	102774
In 1973-74 over 1960-61	349.5		460.8				447.6			410.9

SOURCES : Reserve Bank of India, Bulletin, various issues.

* It included share taxes and grants-in-aid.

FINANCING OF REVENUE EXPENDITURE THROUGH TAXES:

Financing of State expenditure depends to a large extent, on the mobilisation of resources and the tax efforts made by the State. Two major components of revenue are Tax and Non-tax revenue.

Contribution of Tax revenue was more than fifty percent in the starting period of our study. It will be noticed that its contribution in terms of total revenue declined, against this non-tax revenue gained some importance by 1973-74. Amid the taxes, predominant position has been occupied by indirect taxes. The sources of indirect tax revenue in U.P. are Sales tax, State excise duty, taxes on goods and passengers, electricity duty etc. Since the beginning of planning era, Government has placed excessive reliance on indirect taxation. Over the period 1960-61 to 1973-74 whereas the total tax-revenue of U.P. State increased four times more, the indirect taxes increased more than six times and direct taxes increased only more than two times. In 1960-61 the contribution of indirect taxes to total tax-revenue was more than 50 percent and by 1973-74 it went up more than 60 percent as it is evident from the following table.

Direct & Indirect Taxes As Proportion to Total Tax

(Rs. in lakhs)

Year	Total Tax Revenue	Direct Tax	(3) as% of (2)	Indirect Tax	(5) as% of (2)
(1)	(2)	(3)	(4)	(5)	(6)
1960-61	8672	4173	48.1	4499	52.5
1961-62	10930	6370	58.2	4560	42.1
1964-65	11545	4808	41.6	6737	58.3
1965-66	13255	5329	40.2	7926	60.2
1968-69	19552	5700	29.1	13852	71.0
1969-70	19416	6118	31.5	13296	68.4
1971-72	35024	9792	27.9	25232	72.0
1973-74	36905	11634	31.5	25271	68.6

Source : Reserve Bank of India Bulletin

The share of direct tax to total tax revenue registered a decline from 48.1 in 1960-61 to 31.5 in 1973-74. On the other hand share of indirect tax increased from 34% to 41% during the same period. This high percentage of indirect taxes was not a reflection of their development in the economy, but of their poverty as poor a country cannot be expected to take a high proportion of its national income through direct taxes.⁶

6. Jain P.C. State Finances in India. Progress publishers Motia Park, Bhopal, 1978; p. 83.

More than 50 percent of indirect tax was derived from the major source of Sales Tax and it contributed more than 12 percent to the total revenue of the State (Table No. 3.2). Sales tax was the most elastic and dependable source of revenue.⁷ The increase in Sales-tax had largely been made through increase in general Sales tax.⁸ Out of 12 percent contribution to the total revenue, 8 percent was contributed mainly by this tax. The next large source amid-in-direct taxes was the union excise duties which contributed 9.21 percent to total revenue in 1960-61. Its contribution had been nearly doubled, that is 17.7 percent by 1973-74. In 1973-74 it was the dominant source of revenue. Sales tax on motor spirit, motor vehicle, entertainment, State excise duties also showed an increasing percentage share to total revenue, whereas purchase tax on Sugarcane and State excise duty showed a decline from 3.15 and 5.60 in 1960-61 to 0.99 and 4.56 percent in 1973-74 respectively (Table No. 3.2).

Land revenue was the largest source of direct⁹ tax in 1960-61 contributing at least 16 percent to the total revenue showed a sharp decline to 3.32 percent in 1973-74. The main

7. Techno Economic Survey of Uttar Pradesh, 1966, p. 183.

8. General Sale tax was levied on good of especial importance in inter State Sales. These goods are sugar, tobacco, cotton fabric, cotton yard, coal etc.

9. Op. cit., p. 93.

Items Of Indirect Taxes As A Percent Of Total Tax Revenue

A-TAXES ON COMMODITIES 2945 (21.76) 4560 (33.38) 4727 (31.80) 5366 (34.68) 6737 (34.22) 7926 (35.35) 9324 (37.04) 8495 (16.57) 9566 (29.76) 8715 (27.43) 10297 (26.31) 12322 (26.85) 14367 (25.65)												
AND SERVICES (1 to 9)												
1. Sales Tax (1 to iv)	1642 (12.32)	—	—	—	—	—	—	—	—	—	—	—
1) General Sales Tax	1082 (8.00)	1302 (9.53)	1370 (9.22)	1608 (9.51)	2111 (10.74)	2435 (11.08)	2538 (10.09)	3805 (12.71)	3489 (10.08)	4132 (11.33)	5333 (11.33)	5210 (11.33)
11) Central Sales Tax	83 (0.65)	—	—	—	—	—	—	—	—	—	—	—
111) Sales Tax On Motor Spirit	46 (0.34)	135 (0.99)	130 (0.87)	200 (1.18)	205 (1.04)	247 (1.10)	225 (0.98)	343 (1.15)	455 (1.43)	386 (1.21)	490 (1.26)	600 (1.51)
iv) Purchase Tax On Sugar Cane	426 (3.15)	—	—	—	—	—	—	—	—	—	—	—
2. Motor Vehicles Tax	322 (2.38)	343 (2.51)	343 (2.31)	368 (2.18)	413 (0.10)	442 (0.97)	482 (1.91)	529 (1.77)	526 (1.66)	756 (1.94)	941 (2.10)	929 (2.02)
3. Tax On Passengers and Goods	—	—	—	—	—	—	—	—	—	—	—	—
4. Entertainment Tax	158 (1.17)	172 (1.26)	172 (1.16)	215 (1.27)	276 (1.41)	327 (1.46)	338 (1.34)	457 (1.59)	544 (1.70)	601 (1.54)	867 (1.96)	895 (1.35)
5. State Excise Duties	758 (5.60)	842 (6.16)	766 (5.15)	978 (5.70)	1260 (6.41)	1423 (6.35)	1457 (5.79)	2010 (6.73)	2445 (7.03)	2530 (6.43)	2728 (6.18)	2329 (5.07)
6. Electricity Duties	64 (0.47)	69 (0.51)	62 (0.42)	64 (0.38)	75 (0.38)	89 (0.40)	76 (0.30)	104 (0.35)	125 (0.53)	121 (0.31)	444 (1.01)	267 (0.58)
7. Tobacco Duties	—	—	—	—	—	—	—	—	—	—	—	—
8. Surcharge and Cess On Sugar Cane	—	—	—	—	—	—	—	—	—	—	—	—
9. Other Taxes and Duties	1 (0.01)	351 (2.57)	403 (2.71)	777 (4.59)	774 (3.94)	1075 (4.79)	1157 (4.60)	—	1 (0)	2 (0.01)	1 (0)	2 (0)
B-SHARE IN CENTRAL TAXES (10 to 13)	2977 (22.0)	—	—	—	—	—	—	—	—	—	—	—
10. Income Tax (Given in Direct Taxes)	1423	1525	1293	1412	1782	1776	1905	2581	2849	2687	7242	7179
11. State Duty	49 (0.35)	65 (0.43)	63 (0.41)	63 (0.37)	112 (0.57)	112 (0.57)	125 (0.50)	13 (0.04)	94 (0.39)	117 (0.37)	122 (0.27)	110 (0.24)
12. Union Excise Duties	1246 (9.21)	1346 (9.85)	1481 (9.96)	1656 (9.79)	1619 (8.24)	1838 (8.20)	3051 (12.12)	3506 (11.72)	4252 (17.31)	4464 (14.05)	5361 (18.70)	9433 (20.55)
13. Of Which Additional Duties	660 (4.88)	—	—	—	—	—	—	—	687 (2.15)	749 (2.36)	1499 (3.35)	2077 (4.33)
												1952 (3.21)

SOURCE : Various issues of Reserve Bank of India Bulletins.

NOTE : Figures in Brackets are percentage to total Revenue.

cause for this decline is the successive drought that prevailed from time to time and the government declaring certain areas as scarcity areas and according sanctions for suspension of land revenue. The decline has also been due to tax evasion and collection of land revenue falling into large areas against the demand raised.¹⁰ The second most important source of direct tax was the income tax contribution at least 10 percent in 1960-61, showed an increased percentage share and in 1973-74 occupied the first place in direct taxes.

It is also interesting to know that the per capita tax revenue in U.P. State which was 12.6 in 1960-61, increased to 34.4 percent in 1970-71 (Table no. 5.4). This performance was not quite satisfactory in comparison to other States. Per capita tax-revenue position was ranked at eleven in 1960-61 but in 1970-71 it stood at fourteen. Punjab and Maharashtra were the only two States with the highest per capita tax revenue. The main cause behind the low per-capita tax revenue in U.P. is that more than 75 percent of the population lives in agricultural areas, often isolated and outside the money economy. A small tax from the agriculture income is derived from a very small minority of the rural population, because of small size of holding, lower average income, greater self,

10. M. Pattabramiah, Economic Development of Karnataka, Oxford & Ibh Publisher, Delhi, 1930, p. 1120.

TABLE NO. 3.4

Per Capita Total Tax Revenue of Individual State Government :
1961-62 and 1971-72

(In Rs)

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States	1960-61	Ranking	1971-72	Ranking
1. Andhra Pradesh	15.8	7	48.1	9
2. Assam	16.7	6	36.5	12
3. Bihar	11.8	12	33.9	15
4. Gujarat	22.9	1	64.5	4
5. Haryana	---		64.8	3
6. Jammu and Kashmir	10.7	13	36.0	13
7. Karnataka	15.3	9	54.9	6
8. Kerala	17.3	5	52.3	7
9. Madhya Pradesh	12.6	11	39.5	11
10. Maharashtra	20.5	2	74.5	2
11. Manipur	---		8.6	19
12. Meghalaya	---		20.1	18
13. Meghalon	---		26.4	17
14. Orissa	9.6	14	33.0	16
15. Punjab	18.9	4	84.6	1
16. Rajasthan	14.0	10	42.2	10
17. Tamil Nadu	17.3	5	64.0	5
18. Tripura	---		3.7	20
19. Uttar Pradesh	12.6	11	35.4	14
20. West Bengal	19.7	3	50.4	8

SOURCE : Population data from census of India, 1961 and 1971 published in 1962 and 1972 respectively Tax data from R.B.I., Bulletins.

sufficiency and greater illiteracy.¹¹

States have two distinct sources from which collection of the taxes takes place.

'Own source of taxation' and 'Share in Central Taxes'. In U.P. 'States' own tax' provided nearly 66 percent of the total tax revenue in 1960-61. It is significant to note that this percentage share declined to 53 percent in 1973-74. Further, It was noticed that percentage of 'Share taxes' to total tax revenue recorded an increase percentage. Its contribution to total tax revenue in 1960-61 was 34 which further increased to 46 percent in 1973-74. This analysis showed that there has been a decline in the relative share of 'State's own taxes' and corresponding rise in 'shared taxes'. It reveals that State's dependence of Centre has increased gradually throughout the period. The striking feature in the pattern of shared taxes was that, income tax was losing its dominant position in favour of union excise duties. The share of State duty had become wholly insignificant.

In Uttar Pradesh, taxation (including the States share in Central taxes) has been contributing relatively a higher percentage to total receipts in comparison to all the States taken together (Table No. 3.5). In 1960-61 contribution of

11. Chosh. S, Financing of Economic Development, Calcutta, The World Press, Ltd. 1962.

TABLE NO. 3.5 : Financing of Revenue Expenditure of U.P. and All States Through Tax Revenue. (Rs in lakhs)

Y E A R	State's own Tax Revenue		Shared Taxes		Total Tax Revenue		Total Revenue	
	U.P.	All States	U.P.	All States	U.P.	All States	U.P.	All States
1960-61	5695 (42.1)	44506 (43.3)	2977 (21.9)	18237 (17.7)	8672 (64.1)	62743 (61.0)	13532	102854
1961-62	7232 (53.0)	48368 (44.9)	2936 (21.5)	17891 (16.6)	10168 (74.4)	66259 (61.6)	13660	107549
1962-63	7502 (50.5)	56992 (44.4)	2837 (19.0)	22403 (17.4)	10339 (69.0)	79595 (62.3)	14864	128386
1963-64	9275 (54.8)	68070 (45.7)	2956 (17.5)	25836 (17.3)	12231 (72.3)	93906 (63.0)	16917	149019
1964-65	9651 (49.1)	76483 (46.8)	3513 (17.9)	25759 (15.7)	13164 (67.6)	102242 (62.5)	19653	163499
1965-66	11367 (50.7)	84200 (45.5)	3725 (16.6)	27577 (14.9)	15092 (67.3)	111775 (60.4)	22423	185022
1966-67	12870 (51.1)	93724 (43.8)	5081 (20.2)	36844 (17.2)	17951 (71.3)	150563 (70.5)	25173	213520
1967-68	12284 (41.0)	109334 (46.5)	6106 (20.4)	47024 (17.3)	18390 (61.9)	158058 (61.7)	29910	235250
1968-69	13399 (41.9)	123922 (45.8)	7195 (22.5)	48720 (18.0)	20594 (65.5)	172642 (63.8)	31947	270422
1969-70	13417 (42.2)	135557 (44.4)	7448 (23.4)	62538 (20.5)	20865 (65.7)	198089 (64.9)	31775	305270
1970-71	13457 (35.5)	152783 (45.3)	11904 (30.5)	75565 (22.4)	25361 (64.9)	228550 (67.9)	39042	337044
1971-72	15571 (34.8)	169328 (41.9)	15725 (35.2)	94222 (23.2)	31296 (70.8)	263750 (65.2)	44712	404472
1972-73	14913 (32.5)	192848 (39.2)	16722 (36.4)	106125 (21.6)	31635 (69.2)	198973 (60.8)	45893	491235
1973-74	22561 (33.8)	230537 (41.5)	19364 (29.0)	116241 (20.9)	41926 (62.8)	346778 (62.5)	66719	555200
Percentage increase in 1973-74 over 1960-61	269.2	417.7	550.4	537.3	383.4	452.7	393.1	439.8

SOURCE : Reserve Bank of India Bulletin, various issues.

NOTE : Figures in brackets are percentage to total revenue.

taxation to total revenue was 64 percent in U.P. against 61 percent of all the States. In 1967-68 contribution of taxation to total revenue was slightly lower (i.e. 61.5) in comparison to all the state taken together (i.e. 61.7). Towards the end of the study period i.e. 1973-74 it was slightly higher (i.e., 62.8) against all the States taken together (i.e., 62.5 percent). In Uttar Pradesh 'State's own tax-revenue' had been contributing relatively lower percentage of total receipts in comparison to all States taken together. In 1960-61 its contribution was 42 in case of U.P. and 43.3 in case of all States taken together. In 1973-74 its contribution to total revenue declined (both U.P. and all the States) to 33.8 and 41.5 percent respectively. The contribution of State's own tax revenue to total revenue was less in case of U.P. than all the States.

As far as shared taxes are concerned, it provided 21.9 percent in 1960-61 and 29 percent in 1973-74. Contribution of shared taxes to total revenue in U.P. was comparatively higher than all States (i.e., it was 17.7 in 1960-61 whereas 20.9 in 1973-74). This performance shows that U.P. State was more depending on the Centre than all States. U.P. Government should ^{make} effort to raise its own sources as its per-capita tax revenue was less in comparison to all the other States, excepting Orissa and Bihar (Table No. 3.4).

Role of Non-tax Revenue In Financing Expenditure

The next most important source of financing revenue expenditure is non-tax-revenue. A substantial amount of revenue is obtained from non-tax sources (including revenue from forest, irrigation, civil-work and other administrative fees, electricity schemes, interest on loan grants etc.).

The U.P. State has experienced an increase of about five times in its total non-tax revenue against an increase by 5 times in all States during 1960-61 to 1973-74. The U.P. recorded an increase of more than five time in 'State's own non-tax revenue against an increase of 5 times in all States. U.P. State registered an increase by 4 times more in their grants-in-aid position against a 5 times increase in case of all States. As compared to U.P. the performance made by all States when taken together was not better regarding their total non-tax revenue. So far as we are concerned with the grants-in-aid, we find U.P. State as lagging behind all the States, since it recorded only a 4 times increase against 5 time increase in case of all States taken together.

Percentage increase in U.P. 'State's own non-tax revenue was more in comparison to all States. All these facts indicate that there was no more scope for raising revenue through its own non-tax source in the State. But more grants-in-aid should

be diverted to U.P. State as it is lagging behind all States.

Non-tax revenue accounted 35.8 percent of the total revenue of which 20.0 percent contribution was made by the State from its own-non-tax revenue receipts and 15.8 percent from shared non-taxes (in form of grants-in-aid) (Table No.3.6) in 1960-61. The contribution made by the State's own non-tax revenue showed an increasing percentage of 22.9 in 1965-66 but later on declined to 20.7 percent in 1968-69. It, further went up to 23.2 percent in 1973-74. Grants-in-aid constituted 15.8 percent in 1960-61 which increased 18.1 in 1965-66 but later it declined to 14.1 percent in 1973-74.

The non-tax revenue of U.P. State had occupied a better position and constituted 35.8 percent in 1960-61. Against this the all-State's contribution to the total revenue was more (i.e., 39.2 percent). In most of the years during the study period contribution made by U.P. State's own non-tax revenue was higher than all States taken together. It was 23.2 percent in U.P. in 1973-74 and 20.6 percent in case of all States. The contribution made by the U.P. State's non-tax revenue increased to 37.2 in 1973-74 against 35.9 percent in 1960-61. But it is the most revealing fact that non-tax revenue (in case of all States) showed a declining percentage (it declined from 39.0 percentage share in 1960-61 to 37.5 percent in 1973-74).(Table No. 3.6). The percentage share of

TABLE NO. 3.6 : Financing of Revenue Expenditure of U.P. and All States Through Non-tax Revenue.

Y E A R	State's own Non-tax Revenue				Grants in Aid				Total Non-tax Revenue				(In lakhs)	
	U.P.	All States	U.P.	All States	U.P.	All States	U.P.	All States	U.P.	All States	U.P.	All States	Total Revenue	
1960-61	2719 (20.1)	22364 (22.4)	2141 (15.3)	17747 (9.3)	4860 (35.3)	40111 (39.0)	13532	102854	4860 (35.3)	40111 (39.0)	13532	102854		
1961-62	2547 (18.6)	21602 (20.1)	2291 (16.8)	19488 (11.3)	4838 (35.4)	41090 (38.3)	13660	107549	4838 (35.4)	41090 (38.3)	13660	107549		
1962-63	3210 (21.6)	28053 (22.4)	2796 (15.8)	20939 (14.1)	6006 (40.4)	48991 (38.1)	14864	128286	6006 (40.4)	48991 (38.1)	14864	128286		
1963-64	3591 (21.2)	32240 (22.2)	2592 (15.3)	22873 (13.4)	6173 (36.5)	55113 (37.5)	16917	149019	6173 (36.5)	55113 (37.5)	16917	149019		
1964-65	4608 (23.4)	36221 (21.1)	3500 (17.8)	27036 (14.4)	8108 (41.2)	61257 (36.9)	19653	163499	8108 (41.2)	61257 (36.9)	19653	163499		
1965-66	5134 (22.9)	40297 (22.6)	4034 (18.1)	32950 (18.5)	9068 (40.9)	73247 (38.1)	22423	185022	9068 (40.9)	73247 (38.1)	22423	185022		
1966-67	5616 (22.3)	43230 (20.2)	4340 (17.2)	39722 (13.3)	9956 (39.5)	82952 (36.1)	25173	213520	9956 (39.5)	82952 (36.1)	25173	213520		
1967-68	6558 (21.9)	39870 (17.2)	4962 (16.6)	45522 (16.1)	11520 (38.5)	85192 (36.3)	29910	235250	11520 (38.5)	85192 (36.3)	29910	235250		
1968-69	6603 (20.7)	48415 (18.0)	4792 (15.8)	49365 (15.3)	11395 (35.7)	97780 (35.1)	31947	270422	11395 (35.7)	97780 (35.1)	31947	270422		
1969-70	5453 (17.1)	54040 (17.9)	6908 (21.7)	55141 (12.5)	12361 (38.9)	107181 (32.2)	31775	305270	12361 (38.9)	107181 (32.2)	31775	305270		
1970-71	7721 (19.8)	52121 (15.2)	5960 (15.3)	56578 (12.4)	13681 (35.1)	108699 (34.7)	39042	337044	13681 (35.1)	108699 (34.7)	39042	337044		
1971-72	7087 (15.8)	55477 (14.1)	6329 (14.1)	85245 (11.1)	13416 (30.0)	140722 (39.1)	44712	404472	13416 (30.0)	140722 (39.1)	44712	404472		
1972-73	7833 (17.1)	99632 (20.2)	6425 (14.0)	92630 (13.6)	14258 (31.1)	192262 (39.1)	45893	491235	14258 (31.1)	192262 (39.1)	45893	491235		
1973-74	15454 (23.2)	114698 (20.6)	9340 (14.1)	93724 (17.2)	24784 (37.1)	208422 (37.5)	66719	555200	24784 (37.1)	208422 (37.5)	66719	555200		
Percentage increase in 1973-74 over 1960-61														
	468.4	412.9	336.2	428.1	409.9	419.6	393.1	439.8						

SOURCE : Reserve Bank of India Bulletins, various issues.

NOTE : Figures in bracket are percentage to total revenue.

grants-in-aid declined from 15.8 in 1960-61 to 14.1 in 1973-74 (in case of U.P. State). Against this, all the States registered an increase (i.e., from 9.3 percent in 1960-61 to 17.2 percent 1973-74). It does mean here that U.P. State lagged behind all the States taken together.

Due to change in classification from time to time the detailed pattern of non-tax revenue for a long period was not comparable. It is also difficult to examine the availability and capacity of realizing revenue from these sources for a larger period. However efforts are made to analyse the trends.

On this account, the first important item was interest receipts, though these interest receipts constituted only 18.2 percent of the non-tax revenue in 1960-61. It declined 15.5 percent in 1973-74 (Table No. 3.7). In this way it was evident that the State Government was the loser. On the contrary, "interest arrears" and 'low yield' were the chronic problems.¹² With the profit motivation like the entrepreneur's policy, higher recoveries and higher yields on interest charges could be expected.

The second most important item of State's own non-tax revenue was administrative receipts which was responsible for

12. U.P. Taxation Enquiry Commission Report, pp 119-121, 1974.

TABLE NO. 3.7

Non Tax Revenue from different sources.

YEAR	Adminis- trative Receipts (a ²)	Net con- tribution of Depart- mental Undertaking(a ¹)	Receipts from other public Undertaking	Inter- est Recei- pts.	State Lot- teries	Grant in Aid
1960-61	885	741	270	839	---	2141
1961-62	848	816	---	---	---	2291
1962-63	733	960	---	---	---	2796
1963-64	936	1013	---	---	---	2692
1964-65	1111	1233	---	---	---	3500
1965-66	1154	1206	---	---	---	4034
1966-67	1512	1334	---	---	---	4340
1967-68	2195	222	35	3417	---	4962
1968-69	1513	441	2147	2001	23	4792
1969-70	1521	-639	1639	2238	100	6906
1970-71	1555	232	2798	2520	125	5960
1971-72	1722	403	2357	2641	39	6329
1972-73	1610	-114	2652	2966	200	6425
1973-74	1971	6428	---	3349	120	9340

NOTE : (a¹) It does not constitute a commercial surplus but represents excess of revenue over working expenses and interest on capital outlay.

(a²) Include receipts under various heads such as education, medical and public health, civil works etc.

contributing about 15.6 percent of total revenue in 1960-61. It showed a declining trend throughout the period and its share consisted only 7.4 percent in 1973-74.

Financing of development expenditure through departmental undertakings is a matter of alarming situation, as generally these have been facing massive losses. Net contribution of departmental undertakings to total revenue was 15.2 percent in 1960-61 declined to 2.4 percent in 1973-74. Many of these undertakings were working at a loss.¹³ Government did not derive any income from many of this due to structural deficiency and insufficient and unproductive use of capital. Owing to the delay made in the execution of projects and operational deficiencies, the surplus has not been commensurate with their potential.¹⁴ These services should improve their operational efficiency and reduce the cost of operation, resulting in better financial results.

The State Government introduced State Lottery-system in 1968-69 in order to earn some revenue from this source. But it also proved a very meagre source of income. It contributed only 0.2 and 0.4 percent to the total revenue in 1968-69 and in 1973-74 respectively. It was, hereby, clearly the most uneconomic and unproductive method of raising money.

13. Jain, R. State Finances in India, Progress Publisher, Bhopal, 1978. pp 100-122.

14. Economic Times November 1972, Non Tax Revenue of States.

Grants-in-Aid:

Grants-in-aid was the most important and the largest source of non-tax-revenue. It provided 44 percent of total non-tax-revenue and more than 16 percent of total revenue in 1960-61. But it was noticed that it had ^{being} contributing a declining percent subsequently and finally declined to 38 percent of the total non-tax-revenue in 1973-74. But it had its own importance and occupied first place in non-tax revenue resources.

The differences in the grants-in-aid in case of the each individual state can be explained by analysing its per capita grant (Table No. 3.8). Jammu & Kashmir came out first State with its larger per capita grant in 1961-62. Against this Uttar Pradesh stood the second State, having the lowest per capita grants and held the 14th rank among all the States. In 1971-72 its position from grants-in-aid point of view was much better and it held 8th position, whereas its position was much worse and its rank declined to the last in 1973-74. Thus we arrive at this particular conclusion that there was need for more grants to U.P. State, from Centre. The scheme of distribution under the Finance Commission, should be made to lessen meagre gap of inequalities between the States and Centre. The assistance given to States

TABLE NO. 3.8Per Capita Grants of Individual State Government.

(Rs in lakhs)

S T A T E S	1961-62	Ranking	1971-72	Ranking
Andhra Pradesh	3.89	3	12.54	9
Assam	11.22	2	36.55	4
Bihar	3.65	9	7.15	17
Gujarat	3.40	11	10.04	11
Karnataka	—	—	12.17	10
Madhya Pradesh	—	—	75.31	2
Jammu & Kashmir	25.33	1	80.87	1
Karnataka	6.18	4	9.48	12
Kerala	1.36	15	15.24	8
Madhya Pradesh	5.14	6	9.41	13
Maharashtra	3.14	13	9.01	14
Orissa	5.11	7	20.20	5
Punjab	5.99	5	15.40	7
Rajasthan	4.90	8	16.29	6
Tamil Nadu	3.17	12	8.85	15
Uttar Pradesh	3.11	14	7.17	16
West Bengal	3.52	10	38.44	3

NOTE : To obtain per capita grant, data on grant is divided by data on population.

SOURCE : Data on grants are taken from Reserve Bank of India Bulletin and on population from the Final population totals of Census of India, for 1961 and 1971.

should be large in case of backward States.

Thus from the above mentioned facts we arrive at a particular conclusion that the most leading part in financing revenue development expenditure was played by 'States' own taxes' and least by grants-in-aid. Shared taxes was thus the single head which recorded an increased proportion in the terminal year of the Fourth Plan against the terminal year of the Second Plan. States' own tax revenue was the single head which registered the highest decline in its proportion.

Revenue Receipts and Revenue Expenditure:

Revenue receipts of U.P. and revenue expenditure both showed an increase in their size. But there was an excess of expenditure over receipts during six years, out of fourteen years under study. The percentage increase in 1973-74 over 1960-61 was more in case of revenue i.e., 393.1 than its expenditure i.e., 384.7 percent. Per capita revenue of U.P. increased from 18.4 in 1960-61 to 72.2 in 1973-74. But in comparison to all States taken together its performance was not good and it had been lagging behind all States throughout the period of fourteen year. During the whole period per capita revenue expenditure in U.P. increased from 17.9 to 68.8. Uttar Pradesh position in comparison to all

the States, was a slightly better by the end of Third Plan period but after that U.P. was lagging behind all States taken together (Table No. 3.9^B).

Ratio of revenue receipts to revenue expenditure followed a zig-zag path during the period under study which was 1.03 in 1960-61, dipped down to the lowest level in 1962-63, i.e., 0.92, but thereafter fixed around 1.02 to 1.09, sagged again in 1969-70 and picked-up for two years and rose to B. 1.05 in 1973-74 (Table No. 3.9^A). During the two years of the Third Plan, it was less than unity whereas during the all annual plans, it was more than unity. This ratio got again less than unity during the two years of the Fourth Plan (Table No. 3.9^A).

Since the development expenditure is the first charge of the present Government on the State's resources, the comparison between the revenue receipts and development expenditure becomes very important from the point of financing revenue expenditure. The ratio of total revenue receipts to its development expenditure was the highest in 1960-61, i.e., 2.63 and this ratio was lowest in the year of 1970-71, i.e., 1.57

Financing of Capital Disbursement:

If the entire requirements of Government are met through taxes, the burden on the community would be too heavy. It would adversely affect the incentives and thereby retard the

TABLE NO. 3.9.A

Ratio of revenue receipts to Total and Development Expenditure
on revenue account : Uttar Pradesh

(Rs in Lakhs)

Y E A R	Ra io of Total Revenue to total expenditure	Ratio of Total revenue to Development Expenditure
1960-61	1.03	2.65
1961-62	1.00	1.95
1962-63	0.92	1.71
1963-64	0.97	1.73
1964-65	1.02	1.91
1965-66	1.02	1.87
1966-67	1.00	1.86
1967-68	1.07	2.03
1968-69	1.09	2.14
1969-70	0.87	1.57
1970-71	1.04	2.15
1971-72	1.02	1.77
1972-73	0.96	1.84
1973-74	1.05	2.09

**NOTE : Ratio calculated on the basis of Total Revenue ÷ Total
expenditure**

TABLE NO. 3.9.BPer Capita Revenue Receipts and Expenditure : All States and U.P.

(In Rs at current prices)

Y E A R	<u>Revenue Receipts</u>		<u>Revenue Expenditure</u>	
	<u>U.P.</u>	<u>All States</u>	<u>U.P.</u>	<u>All States</u>
1960-61	18.4	24.35	17.9	16.3
1961-62	18.3	23.9	18.9	17.2
1962-63	19.6	27.9	21.3	19.2
1963-64	21.9	32.8	22.5	21.3
1964-65	25.1	34.1	24.5	23.6
1965-66	28.0	38.8	27.4	26.5
1966-67	30.9	43.6	30.9	32.7
1967-68	36.0	45.4	33.5	36.3
1968-69	36.1	50.9	35.3	42.2
1969-70	36.9	57.2	42.6	48.0
1970-71	44.5	62.4	39.0	52.4
1971-72	50.1	72.4	48.8	59.3
1972-73	50.6	86.1	52.5	65.4
1973-74	72.2	95.7	68.8	70.2

very development of the economy. It is desirable to finance a development programme, especially one that results in a profitable capital asset through loans. Capital expenditure too is financed by revenue surplus but due to the ever-increasing expenditure on the side of revenue account, the budget mostly resulted in deficits. Thus the borrowing has been the most important source for financing capital expenditure.

The State Governments occupy subordinate positions in respect of borrowing. They cannot raise loans outside the territory of India. They can borrow money only within the country, provided they stand as the security on the basis of their consolidated funds. If they stand in debts to the Central Government, they cannot raise any loans without its consent.¹⁵ The Central Government may offer such opportunities subject to such conditions as it may think better to impose.

States have three distinct sources for financing Capital expenditure (1) recoveries of loans and advances made by the State Government, (2) loans from Centre and (3) internal debts.

The manner in which the different components of capital receipts, expanded or contracted are explained by an analysis of the contributory share.

15. Bhargava : Uttar Pradesh Finance since Independence
K.K. Vora; Vora and Company Bombay 1969 p. 151.

The contribution of capital receipt to the aggregate receipts in 1960-61 was 32.7 percent which decreased later on to 27 percent in 1973-74. States own capital receipts which includes, recoveries of loans and advances made by State Government, market loans, loans from autonomous bodies like L.I.C., S.B.I., N.A.C.F., etc., State provident fund, share from small savings, all these taken together increased from Rs. 2352 lakhs upto Rs. 17720 lakhs (i.e., between 1960-61 to 1973-74) meaning hereby 8 times more. Its contribution made to the total capital receipts was 49 percent in 1973-74 against 29 percent in 1960-61 (Table No. 3.10).

On the other hand, loans from Centre increased more than 4 times. Its contribution to the total aggregate receipts declined from 23.1 to 17.8 in 1973-74 against 1960-61. Loans from the Centre have occupied a unique position in capital receipts and it alone accounted more than 64.3 percent of State's capital receipts in 1960-61. Though its contribution declined but still constituted more than 50 percent of State's total revenue receipts in 1973-74 (Table No. 3.10).

However, the receipts under Central loans are illusive because of the fact that a major part of the fresh Central loans is used to repay loans and interests taken earlier. Net availability of the loans in 1960-61 was half of the gross loan, in 1968-69 it was one third. In 1971-72 the

TABLE NO. 3.10

Sources of Financing Capital Disbursement

(Rs in lakhs)			
Y E A R	State's Own Capital Receipts	Loans from Centre	Total Receipts
1960-61	2352(35.7)	4232(64.3)	6584
1961-62	2443(35.1)	4650(64.9)	7157
1962-63	5245(49.3)	5403(50.7)	10648
1963-64	7097(59.8)	5178(42.2)	12275
1964-65	5716(42.1)	7853(57.9)	13569
1965-66	7552(45.1)	9176(54.8)	16728
1966-67	5661(35.4)	10286(64.4)	15967
1967-68	8232(42.9)	10961(57.1)	19193
1968-69	11710(53.1)	10332(46.9)	22050
1969-70	10702(47.2)	11964(52.8)	22666
1970-71	- -	12077(61.2)	19725
1971-72	12316(51.2)	11713(48.7)	24029
1972-73	15507(63.1)	-- --	24566
1973-74	17720(49.1)	18335(50.8)	36055
Percentage increase in 1973-74 over 1960-61	653.4	333.2	447.6

SOURCES : Reserve Bank of India Bulletins, various issues

* Included market loan.

repayment of Central loans plus interest payment on Central loans were more of Rs. 37 lakhs over the gross loan from Centre. The repayment of Central loans and interest payment excell the picture of resources mobilisation efforts of the States (Table No. 3.11).

Permanent debt accounted the second largest source of capital receipts. It is quite revealing that permanent debt has been financing a declining proportion. Permanent debt of the State contributed about 30 percent of the receipts in 1960-61, but declined to about 9 percent in 1973-74. During the period under study it increased only one time more. It increased at a rate of 5.3 percent per annum. It is the largest single head which registered a sharp decline (Table No. 3.12^A).

Recoveries of loans and advances made by the States Government also finance a good part of capital disbursement. It constituted 6.7 percent to total receipts in 1960-61, and increased to 9.4 percent in the terminal year of second plan. It finally reached its peak of 14 percent in 1968-69 percent but declined to 13.6 percent in 1973-74. Recoveries of loans and advances accounted for the largest single increase of ~~accounted~~ for 13.2 percent in 1973-74 over 6 percent in 1960-61 (Table No. 3.12^A). But these recoveries of loans and

TABLE NO. 3.11Net Availability of Central Loan

(Rs in lakhs)

YEAR	Loan (Gross)	Repayment of Central Loans	Interest payment on Central Loan	Net availability
1960-61	4232	1064	781	2387
1961-62	4650	1589	—	3061
1962-63	5403	1913	—	3496
1963-64	5178	1646	—	3532
1964-65	7853	2730	—	5123
1965-66	9176	3016	—	6160
1966-67	10286	2754	—	7532
1967-68	10961	4080	—	6881
1968-69	10332	7096	2886	350
1969-70	11964	7856	3146	962
1970-71	12077	7720	3120	1234
1971-72	11713	8303	3441	-37
1972-73	12843	7662	3606	—
1973-74	18335	8926	4052	5357

SOURCE : Reserve Bank of India, Bulletins, various issues.

advances did not provide surplus after repayment of the loans. There has been excess of repayment of loans to the Centre over recovery of loans and advances.

The State Government collected some loans from autonomous bodies like, National Cooperative Development Corporation, National Agriculture Credit, Life Insurance Corporation of India, State Bank of India. But all these contributed very less amount of only 1.1 percent to the total receipt in 1960-61. It reached its peak having 2.3 percent in 1971-72 but further declined to 1.5 percent in 1973-74. It experienced an increase of 7 times more during the period 1960-61 to 1973-74.

Excluding loan from the Centre, permanent debt contributed the highest percentage share of total capital receipt in 1960-61, showed a sharp decline in 1973-74. It was the recoveries of loans and advances, which constituted the highest percentage share of total receipts. This was the single head which showed the highest percentage of increase in 1973-74 over 1960-61, i.e., 1105.8 percent. Relatively speaking, loans and advances repaid to the State Government increased at a much higher rate than its total receipts, i.e., by a little less than 39.91 percent per annum. Loans from autonomous bodies and unfunded debts also increased at a higher rate of 13.9 and 12.2 percent to total receipts

respectively. The significant thing to be noted down here is that loans from the Centre increased at a much lower rate in comparison to all other items of loan and even total receipts. Though every substantial part of the borrowing was the form of loans from Centre throughout period, but with relatively less significance.

Financing of expenditure by Central loans is a matter of concern because about 70 percent of this loan was utilized for repayment while a small part of it was left for financing development of the economy.

The total capital receipts of the State experienced an increase of 5 times more (i.e., from Rs. 6584 lakhs to Rs. 36055 lakhs). On the other hand, the capital disbursement increased by about more than 6 times (i.e., from Rs. 5959 lakhs to Rs. 40161 lakhs) during the period 1960-61 to 1973-74. Excluding loans from the Centre, the capital receipts of the State increased by about 8 times (from Rs. 2352 lakhs to Rs. 1772 lakhs) (Table No. 3.12^B). Capital disbursement exceeded the capital receipts in most of the years. As a result the ratio of total receipts to total disbursement observed was less than unity in nine years, whereas it was more than unity in six years. It was the highest in 1962-63 i.e., Rs. 1.16 and lowest in 1964-65 i.e., Rs. 1.03. The ratio of total receipts in financing capital disbursement declined from Rs. 1.12 in 1960-61 to

TABLE NO. 3.12.BRatio of Total receipts to total disbursement.

(Rs in lakhs)

Year	Total Receipts	Total disbursements	2 ÷ 3
1960-61	6584	5859	1.2
1961-62	7157	7283	0.94
1962-63	10402	9030	1.16
1963-64	9039	9345	1.32
1964-65	13569	13059	1.03
1965-66	16720	17273	0.96
1966-67	15303	15252	1.04
1967-68	19193	20216	0.94
1968-69	22050	23719	0.86
1969-70	23670	21769	1.04
1970-71	19725	24720	0.79
1971-72	24029	30352	0.79
1972-73	24566	27141	0.90
1973-74	36055	40161	0.89

SOURCE : Reserve Bank of India Bulletin various issues.

0.89 in 1973-74. This was a matter of great concern. It declined mainly due to less contribution of Central loans to the State.

Financing in U.P. by Centre:

The State received 46 percent of the aggregate receipts in the form of resources transferred from the Centre in 1960-61. It showed a declining trend towards the terminal year of the Third and Annual Plan (i.e., 43.3 and 41.3 percents respectively). But it touched the same level of 46 percent in 1973-74 which was observed in 1960-61. It registered no percentage increase in 1973-74 over 1960-61.¹⁶

Amid the resources transferred from the Centre, share in taxes registered the largest increase of 550.4 percent in 1973-74 over 1960-61. It means^{it} increased by about more than 6 times. This amount was more than the total transferred resources of 402.7 percent and about 5 times increase. The percentage share of transfer taxes reached its peak of about 46.6 percent in 1971-72 and to the lowest level of only 22 percent in 1965-66. The percentage share of this transfer taxes had ascended from 31.8 percent in 1960-61, to 41.2 percent in 1973-74 (Table No. 3.13). But this increase in shared taxes was due to inclusion of additional union excise duties in lieu of sales tax.

16. Calculated from Table No. 3.13 column no. 8 (total transferred resours as to total aggregate receipts) Table No.1 column 8.

The receipt that constituted the largest share of total transfer resources was loans (gross) in 1960-61 accounting 45.3 percent it declined to 38.9 percent in 1973-74, registered the highest decline of 6.4 percent in 1973-74 over 1960-61. It experienced an increase of 4 times more, less than the increase made in total transferred resources of more than 5 times. Percentage increase made in 1973-74 over 1960-61 was accounted as 333.2 percent (Table No. 3.13).

The last item is the grants-in-aid. It showed more than four times increase during 1960-61 to 1973-74. It constituted 22.9 percent of the total transfer resources in 1960-61, but had a fluctuating percentage. It touched the highest percentage of 26.2 in 1969-70 and the lowest of 18.7 in 1972-73. It registered a decline of 3 percent in 1973-74 over the period 1960-61.

The pattern of financing the State expenditure showed that about 49.2 percent of total expenditure of the State Government was financed mainly by these resources which were transferred from the Centre to State in 1960-61. This percentage decreased to 43.1 percent in 1965-66 and 40.5 percent in the last year of Annual Plan Period. By the end of Fifth Plan, it increased to 47.5 percent (i.e., in 1973-74). Now it becomes evident from the above-mentioned facts that the extent of reliance on Central Government was of great importance and

TABLE NO. 3.13 : Financing in Uttar Pradesh by Centre.

(Rs in lakhs)

Y E A R	Share in Taxes	Grants-in-Aid	Loans (gross)	Total
1960-61	2977(31.8)	2141(22.9)	4232(45.3)	9350
1961-62	2936(29.7)	2291(23.2)	4650(47.0)	9877
1962-63	2837(25.7)	2706(24.5)	5403(48.9)	11036
1963-64	2956(27.5)	2592(24.2)	5178(48.3)	10726
1964-65	3513(23.6)	3500(23.5)	7853(52.8)	14866
1965-66	3725(22.8)	4034(23.8)	9176(54.2)	16935
1966-67	5081(25.8)	4340(22.0)	10286(52.2)	19707
1967-68	6160(27.7)	4962(22.5)	10361(49.7)	22029
1968-69	7195(32.2)	4792(21.5)	10332(46.3)	22319
1969-70	7448(28.3)	6908(26.2)	11969(45.5)	26325
1970-71	11904(39.7)	5960(19.9)	12077(40.3)	29941
1971-72	15725(46.6)	6329(18.7)	11713(34.7)	33767
1972-73	16722	6425	—	23147
1973-74	19364(41.2)	9340(19.8)	18335(45.8)	47039
Percent in 1973-74 over 1960-61	550.4	336.2	333.2	402.7

SOURCE : Reserve Bank of India Bulletins, various issues.

NOTE : Figures in brackets are percentages to total Central Resources.

that transferred resources played a dominant role in the financial planning of the State.

This was due to the fact that State need enough financial resources for the efficient performance of functions. But the resources allocated to the State were not enough to fulfil the responsibilities assigned to her. Whereas functions, both of the development and social nature assigned to State were expanding at the same time growth of big business and large scale production increased the fiscal gap between the revenue resources and requirement of the State due to its ever-growing capacity. Since the Centre holds the most elastic and productive sources of revenue and relatively in expensive function, the increased devolution of resources from Centre to State was essential in view of the increasing functions of the State and her limited resources. The result was that State had to depend too much on the Centre which was, then, inevitable.

But the demerit of her dependence on the Centre was that it slackened tax effort by the State Government. During the Fourth Plan period, out of total revenue of Rs. 77155 lakhs only 14.1 percent was raised through additional tax efforts by the State.¹⁷ Land revenue fetched the amount less than before road vehicle taxation and electricity duties yielded not a subsequent amounts.

17. Uttar Pradesh Taxation Enquiry Committee, 1974, p. 321. State income estimates, State Planning Institute. Uttar Pradesh Bulletin No. 161. 1960-61 to 1975-76.

Further, we noticed that there was no proper relation between total revenue and total expenditure. The development expenditure on revenue account increased from Rs. 5114 lakhs in 1960-61 to Rs. 31907 lakhs in 1973-74 or by 523.9 percent, while the States own revenue increased from Rs. 10535 lakhs to Rs. 47355 lakhs or 349.5 percent during the same period. In the words of Martin and Lewis "where the variation in expenditure may not have affected the variation in revenue resulted in form of revenue constraints."¹⁸ It means that State's own tax revenue could not even keep pace with development on revenue account, though it had occupied a unique position throughout the period.

The failure of the tax system to collect the additional revenue can be judged from the fact that while the agricultural sector contributed about 60 percent¹⁹ of national income in 1973-74, this sector did not contribute even one percent of it to total revenue. This was due to the fact that the agricultural sector (particularly its well to do section) remained very much under taxed as compared to non-agricultural sector because it did not contribute even one percent to total revenue.

18. Martin Alison and Lewis W. Arther. Pattern of Public revenue and expenditure. Manchester School of Economics Volume XXIV, 1956.

19. State income estimates, State Planning Institute Uttar Pradesh Bulletin No. 161. 1960-61 to 1975-76.

This sector should have been contributed a reasonable proportion of its income to expanding public expenditure in general and non-agriculture in particular.

In order to yield more revenue, there was an urgent need to eliminate tax evasion that existed to a large extent in case of sales tax. Uttar Pradesh Government collected 53 percent more taxes in 1967-68 over 1965-66 without any increase in its rate, mainly as a result of improvement in administration.²⁰ By checking the tax evasion, about 10 to 20 percent of the tax revenue may be derived by State Government. Low per-capita income and low per-capita taxation also put a constraint on the rapid economic development of the country.

According to Hicks "Financial limits are set by the poverty of their citizens, then by the 'Constitution'" for example an increase in water rate may bring more revenues to the Government but as a result of this increase, people will use less of water means, less the agricultural production which is against the fundamental objective.

The system of land revenue needs a complete overhauling for its speedy progress. It was inelastic and insufficient in its contribution to the development expenditure. These defects relating to land revenue were not minimized either by imposing agricultural income tax or by levying betterment duties and

20. Uttar Pradesh Taxation Enquiry Commission. 1974. p. 321.

irrigation duties too. Efforts were made but no results came out. Non-tax revenue particularly State enterprises and other Commercial undertakings were not sufficient for financing development expenditure. Many of it incurred losses, particularly irrigation and electrification schemes. The State has large potentials of increasing its revenue provided that there should have been a simple and efficient machinery to do so. There is a need to prevent undue expansion in Government expenditure in many fields to bring about increase in revenue. The expenditure of capital nature is financed by revenue surplus but due to ever increasing expenditure on revenue account, mostly budget resulted in deficits. Thus borrowing occupied the most dominant position in financing capital disbursement. A large part of capital disbursement was financed through loans from Centre and State's own capital receipts. State's own capital receipts increased about 8 times, contributing early 50 percent to total capital receipts in 1973-74. Loans from Centre increased by 4 times only and contributed about 50 percent to the total capital receipts in 1973-74 but its percentage share to total capital receipts declined by 15 percentage points during the period under study. Ratio of State's own capital receipts to total disbursement increased but the ratio of loans from the Centre to total disbursement declined in 1973-74 over 1960-61. This was as a result of expanding development activities in the State. But such

decline placed constraints on the development. The existing pattern of financing through borrowing encouraged the development activities in the State, mostly on revenue account a very small amount was spent on irrigation, navigation and road transports etc. These were largely financed by internal borrowings.

C H A P T E R - I V

PACE OF DEVELOPMENT

From the previous chapter it is clear that during the period from 1960-61 to 1973-74 there has been an impressive growth in public expenditure particularly in developmental sphere. In this chapter it is proposed to trace the growth in physical terms. The true picture of the economic development cannot be drawn by increasing figures of expenditure, unless they are analysed in terms of the physical achievements. The objective is to sort out the pace of development in Uttar Pradesh in selected fields.

Uttar Pradesh, with 38.3 million population according to 1971 census, is the most populous state accounting for 16.1 percent of total population in the country.¹ The density of 300 persons per sq. kilometer in 1971 was 68.5 percent higher than the all India figure of 178. The economy of the state is mostly agrarian. About 55 percent of the State Domestic Product originates from agricultural sector which employs about 78 percent of

1. Draft Five Year Plan 1978-83, Vol.I, General Review
Uttar Pradesh, Planning Department, January 1979.

working force. Against this, only 70 percent of the working force is engaged in agriculture in the country as a whole, contributing 42 percent of the total national domestic product.² The pressure on land is heavy, resulting in small holdings; about two third of the holdings in Uttar Pradesh as against about 50 percent for the nation are below one hectare. These account for only 20.6 percent of the total area. The state is industrially backward which is apparent from the fact that only one out of 200 persons is employed in the organised sector of the industries. Within the parameters of a mixed economy, the objective of the expenditure policies have been made to secure rapid economic growth. The other objectives have been dispersal of employment, reduction of disparities between states, regions community groups participating in economic process. It is generally observed that despite the tremendous expansion of economic and social infrastructure, the setting up a variety of basic industries with large capacities, extension of invigation facilities and considerable increase in the aggregates of agricultural production, the levels and distribution of income has not registered a significant improvement.

2. Planning for the development of Uttar Pradesh, State Planning Institute, P.1.

By making more effective use of the larger volume of investment, efforts have been made for attaining a higher rate of growth. Unfortunately the rate of growth of the state's economy over the years has been very low. The following table shows that growth rates of state income remained almost stagnant from First to the Third Plan, being 2 percent. However the rate of growth in the state income has been successively improving after the Third Plan. Further, the difference between the growth rates of U.P. and India, which was comparatively larger upto the Second Plan period, sharply narrowed down during subsequent plans.

RATE OF GROWTH IN INDIA AND U.P.

P E R I O D	Percent Per Annum	
	U.P.	INDIA
First Plan	1.9	3.4
Second Plan	1.8	4.0
Third Plan	1.6	2.2
Fourth Plan	2.3	3.3

SOURCE : Draft Sixth Five Year Plan
1980 to 1986, Uttar Pradesh.

Per capita state domestic product, despite its limitations is considered one of the most useful indicator for economic development.³ Simon Kuznets⁴ has emphasised

3. Uttar Pradesh Ki Arthik Smikocha, 1976, p.3

4. Simon Kuznets : Economic Growth-India, Brazil and Japan, pp.103-128.

national income as the index of economic development. Therefore, a study of the variation of the per-capita income and the total income of the state during the period under review would help in assessing the degree of development in Uttar Pradesh.

The per capita state income at constant prices decreased during the period of 1960-61 to 1973-74 from Rs 252 to Rs 220 whereas the national per capita income during the same period increased from Rs 306 in 1960-61 to Rs 349 by 1973-74 (Table No. 4.1). There was a decline in the State per capita income during 1960-61 to 1973-74 by Rs 32 as whereas, the country's per capita income increased by Rs 43. The gap between the percapita income of the state and that of the country in terms of constant prices which was Rs 54 in 1960-61 widened further to Rs 129 in 1973-74. There was no set problem or trend discernible between the state and national income but fluctuations have depended largely on agricultural production. The per capita income of U.P. (at current prices) in 1960-61 which was 82.4 percent of the national per capita income declined to 80.9 percent in 1973-74. The year 1973-74 was a year of extreme economic strain on account of draught, crop failure, power shortage and international oil crises, resulting in galloping inflation in the country.⁵

5. State Income Estimates of U.P., 1960-61 to 1973-74
No. 161 State Planning Institute, Economics and
Statistic division, Uttar Pradesh.

TABLE NO. 4.1 : Comparison of Per Capita Income and Per Capita Nation Income.

(3)

Y I 3 A R	Per Capita Income at current prices			Per Capita Income at constant prices 1960-61		
	India	U.P.	Percent of U.P. to India	India	U.P.	Percent of U.P. to India
1960-61	306	252	82.4	306	252	82.4
1961-62	315	260	82.5	309	252	81.6
1962-63	326	264	81.0	308	244	79.22
1963-64	366	288	73.7	318	235	73.9
1964-65	422	367	87.0	335	266	79.4
1965-66	426	373	87.6	311	252	81.0
1966-67	482	431	89.4	307	227	73.9
1967-68	554	491	88.6	325	243	74.88
1968-69	552	453	82.1	327	241	73.7
1969-70	598	487	81.4	341	263	77.1
1970-71	637	504	79.1	353	269	76.2
1971-72	657	520	79.1	349	252	72.2
1972-73	702	634	90.3	337	261	77.4
1973-74	856	707	82.6	349	220	71.6

SOURCE : State Income Estimates, Uttar Pradesh 1960-61 to 1975-76, Bulletin No. 161, State Planning Institute, Economic and Statistic Division, Uttar Pradesh.

Total income of Uttar Pradesh and India over the period 1960-61 to 1973-74, at current prices showed an increase of Rs 4689 lakhs against an increase of Rs 46154 lakhs at national level. Percentage share of U.P. to India had been ranging between 13.1 percent in 1960-61 to 11.5 percent in 1973-74 because of a relatively faster growth rate in the national income (Table No. 4.2). A closer study of the annual variation of the total state income at constant prices ~~xxxx~~ shows that the period 1971-72 to 1974-75 is characterised by low level of income on account of conditions already mentioned about.

On comparing the per capita income of U.P. to all the individual states, it was observed that U.P. ranked 14th in 1960-61, 12th in the year 1968-69 and 13th in 1973-74 (Table No. 4.3).

This low per capita income in the state was an indicator of the fact that Uttar Pradesh economy was still diversified.

If we judge the per capita plan expenditure in U.P., in comparison to other states, during the plan period, we noticed that U.P. ranked 14th as (lowest number) during the first and second plan, 17th and 16th in the 3rd and Annual Plan and 13th in the IV plan (Table No. 4.4). Thus,

TABLE NO. 4.2 : Total Income of India and Uttar Pradesh.

(Rs in crores)

Y E A R	At current prices		Percentage of		At constant prices 1960-61		Percentage of	
	India	U.P.	India	U.P.	India	U.P.	India	U.P.
1960-61	13263	1843	13.9		13263	1843	13.1	
1961-62	13987	1936	13.8		13729	1877	13.7	
1962-63	14795	2001	13.5		13993	1852	13.2	
1963-64	16977	2221	13.1		14771	1813	12.3	
1964-65	20001	2881	14.4		15885	2090	13.2	
1965-66	20637	2986	14.5		15082	2019	13.4	
1966-67	23848	3509	14.7		15217	1853	12.2	
1967-68	28054	4073	14.5		16463	2018	12.3	
1968-69	28607	3829	13.4		16939	2032	12.0	
1969-70	31606	4186	13.2		18016	2261	12.5	
1970-71	34412	4415	12.8		19096	2359	12.4	
1971-72	36728	4636	12.8		19298	2245	11.6	
1972-73	40391	5756	14.5		19048	2370	12.4	
1973-74	50498	6532	13.2		20143	2311	11.5	

Source : State Income Estimates, Uttar Pradesh 1960-61 to 1975-76, Bulletin No. 161,
State Planning Institute Economic and Statistic Division, Uttar Pradesh.

TABLE NO. 4.3

Per Capita Income Estimates of various States and Country
(At Current Prices)

(Rs)

States	1960-61	1965-66	1968-69	1970-71	1973-74
1. Andhra Pradesh	275	387	495	584	829
2. Assam	315	399	514	538	644
3. Bihar	215	332	376	402	575
4. Gujrat	362	498	605	829*	1121*
5. Haryana	327	450	635	845*	1174
6. Kerala	259	380	496	584	800
7. Madhya Pradesh	260	305	430	489	725
8. Maharashtra	409	534	700	809	1125*
9. Karnatka	296	448	588	685	973
10.Orissa	216	329	464	482	697
11.Punjab	366	562	903	1030	1438
12.Rajasthan	284	373	414	623*	824*
13.Tamil Nadu	334	403	499	595	830
14.Uttar Pradesh	252	373	453	486	673
15.West Bengal	390	532	660	735	946
India	306	426	552	633	871
Tank of U.P.	14	12	13	14	14

* Provisional Estimates

SOURCE : Draft Sixth Five Year Plan 1980-85 (Review) Vol. 1,
Govt. of U.P., Planning Department, p.57.

TABLE NO. 4.4

Per Capita Plan Expenditure : Individual States

(Rs in lakhs)

S T A T E S	P L A N		P E R I O D		
	I Plan	II Plan	III Plan	1968-69	IV Plan
1. Andhra Pradesh	33	52	91	58	98
2. Assam	29	57	103	61	136
3. Bihar	25	40	67	40	87
4. Gujrat	58	76	108	24	204
5. Haryana	—	—	—	91	358
6. Himachal Pradesh	21	64	127	119	328
7. Jammu & Kashmir	39	77	166	152	351
8. Karnatka	46	62	100	70	128
9. Kerala	31	49	101	73	156
10. Madhya Pradesh	34	48	84	44	114
11. Maharashtra	37	57	103	83	199
12. Manipur	17	86	100	72	290
13. Orissa	56	54	120	60	113
14. Punjab	175	146	212	90	316
15. Rajasthan	39	53	97	56	120
16. Tamil Nadu	28	57	98	71	134
17. Tripura	21	94	156	82	223
18. Uttar Pradesh	25	32	72	53	132
19. West Bengal	54	48	80	39	8
All States	38	51	92	61	142
Rank of U.P.	14	14	17	16	13

SOURCE : Statistical Diary, 1979, Uttar Pradesh.

U.P. lagged behind most of the states as far as its per capita expenditure and per capita income was concerned. In terms of per capita expenditure it was also the lowest in comparison to other states.

Table No. 4.5 indicates that public expenditure at current prices had grown from Rs 17463 lakhs in 1960-61 to Rs 80392 lakhs in 1973-74 registering an increase of 360.3 percent. Total income increased from Rs 184313 lakhs to Rs 653184 lakhs registering an increase of 254.4 percent during the same period. This shows that expenditure grew at a faster rate than total output. The average annual growth rate of total income was 18.2 percent at current prices whereas total expenditure was 27.7 percent during the study period. Total expenditure not only increased in absolute terms, but also in terms of total income. The U.P. state government was spending less than 10 percent in 1960-61 as against more than 12 percent in 1973-74. It means that government participation in economic activity had increased. The comparison of government expenditure as a proportion of national income tell us a great deal about the nature and consequences of government intervention or participation in the economic system.⁶

6. Reddy K.M. The growth of public expenditure in India, Sterling publisher, New Delhi, 1972, p.17.

It is interesting to note that at constant prices total income of the state increased in 25.4 percent in 1973-74 over 1960-61 whereas total expenditure increased to 143.1 percent. Total income at constant price increased at 1.8 percent per annum and expenditure at 2.8 percent per annum during the study period (Table No. 4.5). It means that the rate of growth in public expenditure has been more than the rate of income. It can thus be seen that the income elasticity of demand for public goods and services was greater than unity. It was also noticed that increase or decrease in output i.e. total income has no relevance what so ever on the growth of government expenditure. For example, in the Third Plan period the income had grown at an average annual rate of 1.6 percent, whereas the growth of expenditure was only 0.8 percent. Again during the period of the Annual Plan, while annual growth of income was 2.1 percent, the Government expenditure increased at the average annual rate of 6.2 percent. Similarly while income increased at the average annual rate of 2.3 percent in the IV plan the government expenditure increased at the average annual rate of 6.9 percent. The increase in per capita or total income and development are not necessarily synonymous terms and the former cannot be considered as an indicator of the latter.⁷ Trade

7. Bhaskaran S., Measuring Economic Development, Southern Economist, 15 April 1981.

TABLE NO 4.5 : GROWTH IN PUBLIC EXPENDITURE AND INCOME, Uttar Pradesh (at constant prices).

(Rs in lakhs)

Y E A R	At constant prices		At current prices		Total Exp. as % of	
	Total income	Total Exp.	Total income	Total Expenditure	Total income	Total income
1960-61	184313	17463	134313	17463	9.5	
1961-62	187721	16470	193590	17471	9.1	
1962-63	185291	19595	200127	20340	10.2	
1963-64	181321	19327	222087	22298	10.0	
1964-65	209042	19720	288221	23654	8.2	
1965-66	201926	17115	298573	22523	7.5	
1966-67	185365	19509	350916	29244	8.3	
1967-68	210867	20320	407258	32744	5.8	
1968-69	203245	23082	382882	38171	9.7	
1969-70	226172	23656	418617	40637	9.7	
1970-71	235943	22282	441461	40453	9.2	
1971-72	224571	27613	463599	52163	11.2	
1972-73	237046	27509	575551	56961	9.9	
1973-74	231142	31911	653184	80392	12.3	
PERCENTAGE INCREASE IN						
1973-74 over 1960-61	25.4	143.1	254.4	360.3	—	
Average Annual Growth Rate						
III Plan	1.6	0.8	10.8	7.0	—	
Annual Plan	2.1	6.2	3.4	10.2	—	
IV Plan	2.3	6.9	11.2	19.6	—	

SOURCE : Reserve Bank of India Bulletins, various issues.
 State Income Estimates, U.P., Bulletin No. 161,
 State Planning Institute, U.P.

fluctuations, war, inflation etc. may result in increase in per capita income, though these had been deflated by measuring it at constant prices. However, it may be considered as one of the indicators of development but not development itself. Therefore, to analyse the pace of development we have analysed the other indicators of development.

Agricultural development :

The progress in the economy of Uttar Pradesh is largely linked with growth in the agricultural sector. This contributes to about 62 percent of the total states income in 1973-74 and employs 78 percent of the state's working force.⁸ The state government ^{used} improved varieties of seeds intensive cultivation and adoption of package of cultivation practices. This resulted was in an increase in the agricultural production. The highest cereals production was marked in the year 1970-71 i.e. 163.98 million ton and lowest in 1965-66 i.e. 100.13 whereas, pulses production was registered in 1960-61 i.e. 38.24 million tonnes and lowest 18.5 million tonnesⁿ in 1973-74. Due to excess of flood and lack of rain fall the food grain production declined in the year 1965-66, 1971-72 and 1973-74.⁴ It

8. Uttar Pradesh Ki Arthik Samiksha, 1976, p.103.

TABLE NO. 4.6 : AGRICULTURAL PRODUCTION IN UTTAR PRADESH.

Y E A R	Total Production (Lakhs Mill. Tons)		Per Capita Production (K.G.)			
	Cereals	Pulses	Cereals	Pulses		
1960-61	106.62	38.24	144.86	145	58	197
1965-66	100.13	32.77	132.91	124	41	165
1968-69	127.59	32.82	160.41	150	39	188
1969-70	140.83	33.30	174.13	162	38	201
1970-71	163.98	30.69	194.67	185	35	221
1971-72	147.53	29.20	176.73	164	33	221
1972-73	152.10	29.20	181.32	166	32	198
1973-74	137.14	18.50	155.64	147	20	167

SOURCE : Uttar Pradesh K1 Arthik Samiksha, 1976.

registered the highest production 1970-71. During the period 1960-61 to 1973-74 the production of cereals increased by 30 tonnes, food grain by 10.2 million tonnes whereas production of pulses registered a decline of 19.70 tonnes. As a result, per capita pulses production registered a decline of 32 kg. (i.e. from 52 kg. in 1960-61 to 20 kg. in 1973-74). As a result of less production in pulses the per capita food grain production declined from 197 kg. to 167 kg. during the same period (Table No. 4.6).

The major cash crops of the state are oil seeds, sugarcane and potatoes. The production of sugarcane occupies a very important place in the economy of Uttar Pradesh. The economy of 22 lakhs cane growers is dependent on this crop and therefore, both from agricultural as well as industrial point of view, it is of great significance. The production of sugarcane increased from 545.1 lakhs million tonnes in 1960-61 to 607.7 lakhs million tonnes in 1973-74. The highest production was recorded in 1973-74 but highest per hectare yield was recorded in 1969-70. Per hectare yield in 1973-74 against 1960-61 was highest in case of potato i.e. 21.6 quintals and lowest in case of sugarcane i.e. only 3 quintals (Table No. 4.7).

TABLE NO. 4.7 : PRODUCTION OF PRINCIPAL CASH CROPS IN UTTAR PRADESH.

Y E A R	Production (Lakhs million ton)		Per hectare growth(Equintal)	
	Sugarcane	Oilseeds	Potato	Potato
1960-61	545.16	13.01	8.0	70.37
1965-66	566.50	15.00	13.24	91.28
1968-69	505.30	14.67	16.25	93.83
1969-70	606.79	16.45	12.43	80.65
1970-71	546.72	18.52	14.78	92.00
1971-72	493.54	12.89	16.75	94.09
1972-73	567.24	15.91	15.97	93.13
1973-74	607.73	15.54	17.19	92.04

SOURCE : Statistical Abstract of U.P. 1976-77.

The other way^{of} measuring the development in agricultural production is by taking the indices of agricultural production. In 1960-61 the indices was 150. This reached to the level of 144, 172 and 173 in the terminal year of Third, Annual and Fourth Plan, of which, indices of cash crop increased from 189 to 217, food grain declined from 136 to 123 from 1960-61 to 1965-66, due to the severe drought in the state this indices again increased to 155, 158 in the terminal year of annual and Fourth Plan (Table No. 4.8). The volume of indices of fodder increased from 148 in 1960-61 to 165 in 1973-74. The highest increased had taken places in cash crops.

TABLE NO. 4.8 : INDICES OF AGRICULTURE PRODUCTION.

	Index = 1948-49=100			
	1960-61	1965-66	1968-69	1973-74
Foodgrain	136	123	155	158
Cereals	135	123	158	168
Pulses	140	125	123	62
Fodder	148	144	159	165
Cash crops	189	199	225	217
Fibre	164	187	188	196
Oil	142	201	138	115
Other	199	203	233	225

SOURCE : Uttar Pradesh Ki Arthik Samicohha, 1976, p.37

The development of agricultural production was the result of more area under high yielding varieties, qualified seeds, irrigation facilities, more use of chemical fertilisers etc. Area under high yielding crops increased from 27.09 lakh hectares to 53.18 lakhs hectares during the period 1971 to 1974. In the development of agricultural production, use of chemicals and fertilisers have an importance. Fertilisers distributed in U.P. was 463 thousand tonnes against 85 in 1960-61. The multiplication and supply of certified seed has been assigned a high priority. The department of agriculture had distributed 0.15 lakhs quintals of seeds during 1973-74⁹. So far 52 districts of the state have been provided with soil testing facilities. During 1973-74 14 lakhs samples were tested. A new grid system for collecting soil samples was introduced in the state.

The bulk of agriculturist in U.P. are small and marginal farmer. By 1971 of the 154.39 lakhs land holding, 131.42 lakhs land holding were found to be 2 hectares or

9. Statistical Abstract of Uttar Pradesh, 1975-76, State Planning Institute, U.P. Lucknow, p.39.

less in area.¹⁰ Many agencies have been established for small and marginal farmers which provided all types of assistance. Four Small Farmers Development Agencies and two Marginal Farmer and Agricultural Labour Development Agencies were established in 1970-71. Commercial Bank provided loans to the farmers. 18 Extension training centres and one composite Training Centre were established in the state during 1960-61 and 1973-74.^{These} Centres offer training from time to time to the field workers and farmers to equip them with the latest agricultural know how and scientific techniques resulting in successful implementation of agricultural production and rural development.

As a result of all these facilities agriculture production increased, but as there occurred simultaneously a population explosion and the per capita production of food grains did not show any marked improvement. Per capita production of foodgrain in 1960-61 was 197 grams which decreased to 165 grams by 1965-66. Due to the bumper crops in 1970-71, per capita production of goodgrains increased to 221 grams (Table 4.6). In spite of improvement in all agricultural field due to the late rain and

10. Draft Five Year Plan, 1978-83 and Annual Plan 1979-80, Vol.I, Government of U.P., p.407.

then flood in the western region, per capita production of foodgrain decreased to 167 grams by 1973-74. The decline in food production during 1965-66, 1970-71, 1973-74 was not due to the low expenditure or lack of attention on agriculture but due to bad weather such as late rains, flood, draught and also some other non-economic factors.

Table No. 4.9 : Agricultural Production in Comparison to Agricultural Expenditure.

PLAN	Expendi- ture(%) in lakhs)	Index 1950=100	Production (lakh tones)		Index 1950=100	
			U.P.	INDIA	U.P.	INDIA
First Plan	2663	100	6.4	122.2	100	100
Second Plan	2487	130.9	13.5	43.7	210.9	121.6
Third Plan	9202	2345.5	20.6	139.2	321.8	113.9
Fourth Plan	20531	770.9	46.0	N.A	718.7	N.A

The amount of expenditure in U.P. for agricultural purposes increased from ₹ 2663 lakhs in first plan to ₹ 20531 lakhs in Fourth Plan. The index number (based first plan = 100) showed that it increased upto 770.9 in the Fourth Plan. The index number of production based (on first plan) increased to 321.8 against 113.9 in India. This was a satisfactory progress. The index number of expenditure remained higher than the index number of agriculture production during the Third and Fourth Plan i.e. 345.5 and 770.9 in case of expenditure against 321.8 and 718.7 in case of production. It is evident from the Table 4.9 that expenditure was mostly in excess in comparison to production.

Achievements in Irrigation :

In order to improve the economy of the state, it is necessary to raise agricultural production by increasing the irrigation potential. Large scale development of irrigation help in strengthening and establishing the agricultural economy and also pave the way for the rapid industrialization of the state by providing necessary raw material and generating demand for goods by increasing marketable surplus. The land resources of the state being limited, increase in agricultural production has to be brought about mainly by increasing intensity of cropping and augmentation of productivity through the introduction of packages of improved practices. Irrigation has, therefore, been recorded a very high priority in the Five Year Plans. As it is evident from the table No. 4.10 that at the end of second plan i.e. 1960-61, major and medium irrigation potential of the state was 31.54 lakhs hectare. During the Third Plan and three annual plan period, on an average potential of 0.57 lakh hectare was added every year, raising the irrigation potential from major and medium schemes to 36.07 lakhs hectares by 1968-69 that is, 14 percent higher than the potential available in 1960-61.

TABLE NO. 4.10 : MAJOR AND MEDIUM IRRIGATION .000 HECTARES

Y S A R	Total Potential	Index No.	Net irriga- ted area	Index No.	Gross irriga- ted area	Index No.	Expenditure on irri- gation & navigation	Index No.
1960-61	3154	100	5074	100	21730	100	1364	100
1965-66	3511	111.3	5875	115.8	22074	101.1	3426	251.2
1968-69	3607	114.4	6580	129.7	22423	103.2	1358	99.6
1969-70	---	---	6847	134.9	22968	105.7	2647	194.1
1970-71	---	---	7219	142.3	23207	107.8	3321	243.5
1972-73	---	---	7289	143.6	22927	105.5	4823	353.6
1973-74	4104	130.1	---	---	---	---	---	---

SOURCE : Statistical diary, 1978, Statistical Abstract of
U.P. 1976, Data on expenditure has been taken
from Reserve Bank of India Bulletins.

Table 4.11 reveals that the net irrigated area showed a significant rise during the period under study. The net irrigated area in 1960-61 was 5074 lakhs hectares increased to 6847 lakhs hectares and in 1972-73 it increased to 7289 lakhs hectare. Gross irrigated area did not show much increase, it increased only from 21730 lakhs hectare to 22927 lakhs hectare from 1960-61 to 1972-73. The index number of net irrigated area (base 1960-61=100) was 115.8 in the end of Third Plan i.e. 1965-66, this index number increased to 143.6 in 1972-73. The index number of gross irrigated area increased from 101.1 in 1965-66 to 105.5 in 1972-73 (Table No.4.10).

Table No. 4.11 : Irrigation and Power : U.P. and India.

PLAN	Expendi- ture(₹ in crores)	Index No.	Irrigated land		Index 1950 = 100	
			U.P.	India	U.P.	India
First Plan	5663	100	2657	1021	100	100
Second Plan	8218	146.2	2976	1183	112.0	108.4
Third Plan	21869	386.2	3341	1270	125.7	116.3
Fourth Plan	57807	1020.8	3747	N.A.	141.0	N.A.

SOURCE : Statistical diary 1973 & RSI bulletins, various issues.

The amount of expenditure in U.P. for irrigation purposes has increased to ₹ 21869 lakhs in Third Plan as compared to expenses of ₹ 5633 lakhs in First Plan. It showed an increase of 388.9 percent in U.P./all India basis the increase during the corresponding period was 345.5 percent. It reveals that the expenditure for irrigation has increased more rapidly than that of India. Moreover irrigated land in Uttar Pradesh also increased more than the increase in land irrigated in India. During Second Plan

expenditure in India on irrigation was more than U.P. but the total irrigated land in India has not increased so much. Rate of increase in expenses compared to rate of irrigated land in U.P. was more as the index number of expenses increased from 100 in 1960-61 to 353.6 in 1972-73 whereas the index number of net irrigated area and gross irrigated area increased from 100 to 143.6 and 105.5 during the same period (Table 4.10) as compared to the all India level (Table No. 4.11)

In U.P. large area is irrigated through canal. Though its percentage share declined from 39.3 in 1960-61 to 33.7 percent in 1972-73. In 1972-73 largest area was irrigated by pumping sets while it was 10.7 percent in 1960-61. The percentage of irrigation through well to total irrigated area declined from 36.3 in 1960-61 to 22.1 percent in 1972-73 (Table No. 4.12). Thus the irrigation scheme made satisfactory progress during the plan period. In the last two years the prices of materials, labour etc. rose abnormally due to price inflation by the crude oil prices risen in 1975. The resources that could be mobilised not being enough to meet the demand. Most of the funds allotted to ongoing scheme instead new schemes.

TABLE NO. 4.12 : AREA IRRIGATED BY DIFFERENT SOURCE AS PERCENTAGE OF NET IRRIGATED AREA.

S o u r c e	1960-61	1965-66	1968-69	1969-70	1970-71	1972-73
Canal	39.3	39.0	35.8	35.4	34.6	33.7
Pump Set	10.7	15.4	25.3	28.4	32.3	35.8
Wells	36.3	34.0	29.8	26.7	23.6	22.1
Ponds	3.3	6.7	5.4	5.3	5.1	4.4
Others	5.4	4.9	3.7	3.9	4.4	4.0

S O U R C E : Uttar Pradesh Ki Arthik Samicchha, 1976.

INDUSTRIAL DEVELOPMENT

Next to agriculture, the most important sector of the economy for augmenting and diversifying employment is the industrial sector which contributes about 10 percent to the total net value added to the income of the state.¹¹ Chemical and engineering industries are marching well ahead in U.P. State. Attempts were made to modernise traditional industries like sugar, oils and textile. The progress made in the industrial sector can be estimated through average annual income of this sector since 1960-61. Average income from this sector increased from Rs 150.96 lakhs, in 1960-61 to Rs 185.16 lakhs in Third Plan Table No. 4.13. Average annual income during the three annual plan against the average annual income in Third Plan exceeded by 12.2 percent.

TABLE NO. 4.13 : Income From Industrial Sectors of U.P.
At 1960-61 prices.

YEAR/PLANNING PERIOD	INCOME	As % of State S.D.P.	Index Number 1960-61 = 100
1960-61	150.96	8.2	100.0
Third Plan	185.16	9.6	122.6
Annual Plan	207.78	10.6	137.6
Fourth Plan	263.29	11.4	147.4

SOURCE : Statistical Abstract, U.P., 1974.

11. State income estimate bulletin of U.P. 1960-61 to 1975-76, No. 103, State Planning Institute, Lucknow.

Its contribution to the state's total domestic product, also increased from 8.2 percent in 1960-61 to 11.4 percent in 1973-74. The index number of the income from this sector also increased from 100 in 1960-61 to 174.4 in the Fourth Plan.

The production of important items registered an increase of varying degree over the period of 14 years. The production of cement increased (Table No. 4.14). from 217.2 tonnes to 477.4 tonnes in 1973-74 (Table No. 4.14). Cotton

TABLE NO. 4.14 : Industrial Production.

	<u>1960-61</u>	<u>1965-66</u>	<u>1968-69</u>	<u>1973-74</u>
1. Cement (000 M.T.)	217.2	389.9	391.8	477.4
2. Cotton Cloth(Lakh Meters)	3358	2369	2648	2072
3. Cotton Yarn(000 M.T.)	67427	67074	71447	66381
4. Sugar (000 M.T.)	1427	1372	1175	1295
5. Vanaspathi Oil(000 quintal)	641	830	11 ^{M.T}	53
6. Jute (000 M.T.)	217 ⁺	200 ⁺	16 ⁰⁰	21 ⁰⁰

+ Year Ist November of all the preceeding year to 31st October of the current year.

00 October of previous year to September of current year.

production declined from 3358 lakh metres in 1960-61 to 2072 lakh metres in 1973-74. The production of cotton yarn also declined from 67427⁰⁰⁰ tones to 66381⁰⁰⁰ tonnes. The production of sugar also declined from 1427 (000 million tonnes) to 1295 (000 million tonnes) during the study period. The

TABLE NO. 4.15 : INDEX NUMBER OF INDUSTRIAL PRODUCTION AND
EXPENDITURE ON THIS SECTOR (Base 1970-71=100)

HEADS	1970-71	1971-72	1972-73	1973-74
Industrial Production	100	115.1	113.3	111.4
Expenditure on Industries and minerals	100	130.8	135.8	127.3

production of Jute and vanaspati oil also shows a declining trend.

The efforts made by U.P. State Government for the industrial development can also be estimated by the expenditure made on this sector. To encourage the industrial sector in the economy the state government spend 31 percent of its development expenditure in 1973-74 against 36 percent in 1960-61. As against this its contribution to state domestic product increased from 8.2 percent in 1960-61 to 11.4 percent in 1973-74. As a result of the fall in most of the industrial

production, the index of total industrial production (based on 1970-71=100) declined from 115.1 in 1971-72 to 113.3 in 1972-73 and 111.4 in 1973-74. The index of expenditure (based on 1970-71=100) showed an increase from 130.6 in 1971-72 to 135.8 in 1972-73 but in 1973-74 it declined to 127.3. It reveals that the industrial production declined due to the inadequate investment in this sector. Since massive efforts are needed to improve this sector, it naturally demands more investment.

U.P. is very backward, so far as its minerals are concerned, whatever is available in U.P., registered an increase in its production such as dolomite which was 45,525 Q in 1968 declined to 3443 in 1974, against this Cyprus registered an increase from 252 in 1968 to 1030 in 1974. Limestone registered a minor increase of only 56 percent during the period 1968-1974, whereas Steatite increased 900 percent during the same period.

TABLE NO. 4.16 : MINERAL PRODUCTION IN U.P. : PRICES OF MINERALS
IN 1973-74.

(Rs in lakhs)

MINERALS	1968	1974	U.P.	INDIA
Dolomite Q	425525	3443	174	28731
Gypsum Q	252	1030	43	15536
Limestone Q	690412	116437	23383	394902
Steatite Q	207	2015	102	11603
			50606	579685

SOURCE : Statistical abstract of U.P., 1974.

The prices of mineral product which were Rs 306 lakhs remained many times less against India's mineral prices of Rs 6796 lakhs.

POWER DEVELOPMENT

The decline in Industrial production in U.P. can to a great extent be attributed to the lack of adequate power in the state. Power is the basic source for the development of industries and agriculture.¹² Before the third plan adequate emphasis was not given to development of power in the state. The investment in the power sector was only about one fourth of the total outlay during the second five year plan. The investment shot up to the level of about two fifth of the total outlay during the fourth plan period. Consequently the installed capacity for power generation which was 370.17 MW at the end of Second Five Year Plan increased to 1558.12 MW at the end of fourth plan. At the end of second plan the installed capacity for power generation

TABLE NO. 4.17 : POWER DEVELOPMENT IN U.P.

ITEMS	1960-61	1965-66	1968-69	1973-74
Installed capacity (MW)	370.17	910.14	1315.10	1558.23
				Contd. on

12. Draft Fourth 5-year Plan of U.P. Planning Department, p.181.

Generation (Lakh Kwh)	1213	3022	5526	5889
Consumption(Lakh Kwh)	930	2586	4254	4152

which was 370.17 MW shot up to 910.14 and 1315.10 at the end of Annual and Third Plan. This was due to the fact that high priority was given to power development programme during the Third and Annual plans in U.P. The figures regarding installed capacity, power generation and power sold during the period 1960-61 to 1973-74 is given in the Table No. 4.17^{4.17}. With the increase in total generating capacity in the State, the level of generation reached 5889 lakh K.W.H. in 1973-74 from 1252 lakh K.W.H. in 1960-61.

Electricity generated in Uttar Pradesh increased to 67822 KW in 1972-73 against 12523 K.W. in 1960-61 but it declined to 58892 K.W. in 1973-74 whereas in India it showed a continuous increasing trend. As a result of which the percentage share of U.P. which was 11.2 percent in 1968-69 declined to 8.8 percent in 1973-74 (Table No. 4.18). The index of electricity generated in India was 195.1 in 1965-66 increased to 393.7 in 1973-74 whereas in U.P. it increased from 243.2 to 470.3. It means that electricity generated in U.P. lagged behind the India level.

TABLE NO. 4.18 : ELECTRICITY GENERATED IN U.P. AND INDIA.

(in lakh K.W.)

YEAR	INDIA	Index Number 1960-61=100	U.P.	Index Number 1960-61=100	Percentage share of U.P.
1960-61	169370	100	12523	100	7.4
1965-66	32901	195.1	50327	243.2	9.2
1963-69	474336	280.1	53262	425.1	11.2
1970-71	558276	329.6	57248	457.1	10.3
1971-72	609256	359.7	61784	493.4	10.3
1972-73	645460	381.1	67822	541.6	10.1
1973-74	666890	393.7	58992	470.3	8.8

SOURCE : Draft Sixth Five Year Plan U.P. 1980-85 (Review), p.91

Although the installed capacity and electricity generated in U.P. increased nearly 5 times over the period of 14 years, still there was acute power shortage in the state. The shortage became acute during the years of inadequate rainfall, increase in the auxiliary consumption and line losses also declined the power supply in the state.

Whereas the per capita electricity generated in the state increased from 17 K.W.H. to 64 K.W.H. during 1960-61 to 1973-74. Per capita electricity consumption increased 15 KWH

to 58 K.W.H. during the same period. In India percapita electricity generation increased from 59 K.W.H. to 116 and per capita consumption increased from 30. K.W.H. to 97 K.W.H. during the same period. It shows that U.P. in comparison to India was much lagged behind in case of its electricity generated and its consumption. (Table No. 4.19). Inspite of the increase in per capita electricity consumption and production, U.P. was lagging behind Gujrat, Maryana, Karnatka, Kerala, Punjab, Orissa, Tamil Nadu, West Bengal. In 1973-74 from the below it, rank was fifth. (Table No. 4.19) This presented extremely unsatisfactory position in the state. The special efforts were not made in any plan period to reached the level of India level.

The other important activities of this sector include electrification of towns and villages, energisation of private tubewells/pump set and energisation of state tubewell. At the end of second plan period there were 210 towns electrified which further increased to 325, towns in 1973-74 the number of villages electrified in 1960-61 were 1022 increased to 29765 in upto Fourth Plan Period. Energisation of Private tubewells, pump sets were 3566 in second plan increased to 216446 upto Fourth plan period. Inspite of this increase there are still many villages in the state without electricity facilities.

TABLE NO. 4.19 : Per Capita Electricity Consumption and Production : Andivdual States and India

S T A T E S	Per Capita Production				Per Capita Consumption			
	1960-	1965-	1968-	1973-	1960-	1965-	1968-	1973-
	61	66	69	74	61	66	69	74
1. Andhra Pradesh	25	40	56	72	19	31	43	61
2. Assam	3	7	20	31	4	8	15	26
3. Bihar	34	61	11	34	42	57	61	71
4. Gujarat	62	93	129	165	52	83	116	154
5. Haryana	--	--	175	230	--	--	75	141
6. Himachal Pradesh	--	--	--	49	--	--	--	57
7. Jammu & Kashmir	12	--	34	46	14	30	33	43
8. Karnataka	45	70	89	149	44	55	70	121
9. Kerala	35	44	80	114	29	39	68	85
10. Madhya Pradesh	15	35	52	74	20	36	49	68
11. Maharashtra	83	124	160	185	73	107	137	170
12. Orissa	28	48	67	93	43	79	89	93
13. Punjab	49	143	174	250	33	102	165	197
14. Rajasthan	5	7	52	79	12	21	33	61
15. Tamil Nadu	66	114	148	113	51	89	115	133
16. Uttar Pradesh	17	37	61	64	15	30	50	58
17. West Bengal	66	100	94	96	84	114	118	116
18. India	39	66	90	116	38	61	78	97

SOURCE : Uttar Pradesh K1 Arthik Samiksha 1976-77.

DEVELOPMENT OF ROAD TRANSPORT AND COMMUNICATION

Facilities of transport further, help economic advancement by creating million of additional job opportunity, therefore, securing additional revenue for exchequer and accelerating the pace of green revolution, trade, commerce and industry in phenomena proportions.¹³ The road development also benefits civilisation to rural areas and thereby transforming both the look and outlook of these areas. Road development must keep pace with development in other fields in the country and in many respect precede it. Many development activities cannot proceed smoothly in the absence of roads and rural development in particular is likely to be handicapped.¹⁴ Roads are essential part of infra-structure for socio-economic development through which the production marketing and consumption are integrated.

During the last 14 years of development, the total length of surfaced roads increased by only 53.5 percent from 24553 kms. in 1961 to 37494 kms. in 1974. Inspite of this increase, U.P. remained a very backward from the point of view of facilities of transport and accessibility to the interior areas of the state. In 1960, in terms of

13. Bissana S.K. Road Development in India, Financial Express July 1967.

14. P.G. Bhasin, Road Development makes steady progress India, Weekly, September 15, 1977.

TABLE NO. 4.20Total Surfaced Roads per 100 Sq. Kms. of Area as on 31st March.

S T A T E S	1960	1966	1971	1975
1. Andhra Pradesh	10	10	13	17
2. Assam	2	5	6	11
3. Bihar	6	14	14	18
4. Gujrat	6	9	11	12
5. Haryana	-	-	18	31
6. Himachal Pradesh	2	1	4	5
7. Jammu & Kashmir	1	1	2	3
8. Karnatka	17	22	26	27
9. Kerala	23	29	55	71
10. Madhya Pradesh	5	6	8	8
11. Maharashtra	9	11	13	15
12. Nagaland	1	2	2	6
13. Orissa	7	8	9	8
14. Punjab	10	12	23	30
15. Rajasthan	4	5	6	7
16. Tamil Nadu	24	34	39	44
17. Uttar Pradesh	8	12	12	13
18. West Bengal	18	22	20	27
19.				

SOURCE : Draft Sixth Five Year Plan, Planning Department,
Vol. I, Uttar Pradesh.

per 100 Sq.Kms. of area, while U.P. was lagging behind seven states (Table No. 4.20) viz Tamil Nadu, Kerala, West Bengal, Karnatka, Andhra Pradesh, Punjab, and Maharashtra. The position worsened in 1975 when it was behind by as many as nine states adding two more states of Gujrat and Haryana to the above list. The state could not keep the desired pace because of paucity of resources. The total expenditure transport and communication registered an increase of only 189.4 percent during the 14 years of the study period which was not sufficient for the development of transport and communication (Table No. 4.2).

TABLE NO. 4.21 : DEVELOPMENT OF TRANSPORT AND COMMUNICATIONS

I T E M S	1960-61	1965-66	1968-69	1973-74
1. Total Expenditure(Lakhs)	1664	3450	3149	4816
2. Physical Achivement				
i) Total surfaced Roads K.m.s.	24553	34091	36507	37694
ii) Motor Vehicle on Road in U.P. (Registered)	7284	13159	20328	31822
iii) Motor Vehicle on Road in U.P.	52601	79141	99350	211388
iv) No. of Post Offices	9112	11611	12437	14579
v) No. of Telephones (Lakhs)	341	578	707	904

SOURCE : U.P. Ki Arthik Samiksha, 1976-77.

vehicles on road in U.P., which include buses, trucks, taxis increased to 2,11,388 in 1973-74 against 52,601 in 1960-61. It increase four times. Not only increase was registered in motor vehicles on road, motor vehicles registration also increased from 7,284 in 1960-61 to 34,126 in 1973-74. It also registered an increase of more than four times in 1973-74 against 1960-61.

With the development of road transport the development of communication also play an important role in the economic development of the country. Communications include the services of post offices, television, radios, telephones. The number of post offices in 1973-74 as a percent of Indias post offices was 12.4 percent. In 1960-61 there was 9112 post offices in rural and urban areas of the state which increased to 14579 by 1973-74. Number of telephone connection also registered an increase of 64 percent from 341 in 1960-61 to 241 in 1973-74. Inspite of these progress made in U.P. it was unsatisfactory as there were of 17 post offices per lakhs of population the corresponding figures for Andhra Pradesh, Karnataka and Rajasthan, Tamil Nadu, Punjab, Maryana and Kerala being 32,29,27,24,21 and 19 respectively.

DEVELOPMENT OF SOCIAL SERVICES

Uttar Pradesh is an educationally backward state through its literacy percentage increased from 10.8 in 1960-61 census to 21.6 percent in 1971 census. But it always lagged behind the average of India as evident from the following table. In 1971 while 47 percent literacy was found in urban areas whereas 18 in case of rural population.

TABLE NO. 4.22 : LITERACY IN U.P. AND INDIA

CENSUS YEARS	India U.P.	RURAL	URBAN	TOTAL	MALE	FEMALE
1951	India U.P.	- -	- -	16.6 10.8	24.9 17.4	7.9 3.6
1961	India U.P.	- 14.3	- 40.1	24.0 17.6	34.5 27.3	13.0 7.0
1971	India U.P.	23.7 18.1	52.4 46.6	29.5 21.7	39.5 31.5	18.7 10.6

SOURCE : U.P. K1 Arthik Samicohha, pp.91, 1976, 27,
State planning Institute, U.P., Lucknow.

Keeping in view the educational development and its importance in the economic development, U.P. Government spent a major portion of its revenue expenditure on this head. Expenditure on this head increased from ^aRs 1780 lakhs in 1960-61 to Rs 13051 lakhs in 1973-74, registering

an increase of 633.2 percent. Expenditure on education increased at an average rate of 45.2 percent per annum.

Expenditure on Primary education increased from Rs 841 lakhs in Second Five Year Plan to Rs 3791 lakhs in Fourth Plan. It increased about less than five times whereas the involvement of students increased from 3969 lakhs in 1960-61 to 11275 lakhs, by the end of Fourth Plan, registering an increase of more than two times. The expenditure on primary education declined from Rs 2949 lakhs in Third Plan to Rs 732 lakhs in Annual Plan but number of students, teachers and schools recorded an increase of 1088 lakhs, 21 lakhs and 304 lakhs respectively. The index number of (Table No. 4.23). expenditure declined

TABLE NO. 4.23 : DEVELOPMENT IN PRIMARY EDUCATION

Index Number Base 1960-61 = 100								
	Sec- on Plan	Thi- rd Plan	Annual Plan	Fourth Plan	Sec- on Plan	Thi- rd Plan	Annual Plan	Fourth Plan
	1	2	3	4	5	6	7	8
1.(A) Number of School	42136	60217	16021	63541	100	142.1	216.1	150.8
11) Students (Lakhs)	3969	8374	9962	11275	100	223.9	250.9	284.1
111) Number of Teacher	99	168	189	231	100	169.7	190.9	233.3

	1	2	3	4	5	6	7	8	9
<hr/>									
(B) Per School									
1) Number of students	100	146	168	180	100	146	168	180	
11) Population (000)	1837	1339	1410	1467	100	72.9	76.7	78.8	
2. Expenditure on Primary education	841	2949	732	3791	100	350.6	87.1	450.8	

SOURCES : Uttar Pradesh Ki Arthik Samicchan, p.93.

te from third to annual plan from 350.6 to 87.1, But the index number of students, schools and teachers registered an increase from 223.6, 142.9, and 169.7 respectively in Third Plan to 250.9, 216.1 and 190.9 in Annual plan respectively. Number of students per school also increased from 100 in 1960-61 to 180 in 1973-74. Due to the increase in number of school, population per school declined from 1837 thousand to 1467 thousand in 1973-74. The pace of development in primary education remained behind expenditure except Annual Plans.

In the field of secondary education progress had been made in every sphere. Number of colleges increased from 4335 to 6154 during the second and third plan and further

to 7698 and 9776 in Annual and Fourth Plan period respectively. Enrollment of students increased from 950 thousand in Second Plan to 984 thousand in Third Plan nearly doubled. In Annual and Third Plan period this figure increased to 1192 and 1526 lakhs respectively. In comparison to the growth of expenditure, it did not show a corresponding development as expenditure on secondary education increased from Rs 297 lakhs in second plan to Rs 990 lakhs in Fourth Plan registering an increase of more than 3 times. Enrollment of students increased more than 3 times. Number of colleges

Table No. 4.24 : Enrollment in Secondary Education

1960-61=100

	Second Plan	Third Plan	Annual Plan	Fourth Plan	Second Plan	Third Plan	Annual Plan	Fourth Plan
1.4.(i)								
Number of colleges	4535	6154	7698	9776	100	141.9	177.6	225.5
(ii) Students (000)	950	984	1192	1526	100	175.0	215.7	277.4
(iii) Expenditure (000)	297	350	460	990	100	155.0	190.1	247.3
Number of colleges	127	160	155	156	100	125.0	122.1	122.8
(i) Number of students								
(ii) Population (000)	17	13	11	10	100	67.5	64.7	58.8
(iii) Per teacher student	34	27	25	27	100	112.5	112.5	112.5

Contd.

2. Expendi- ture on Secondary Education	297	741	240	300	100	249.3	30.3	333.3
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Source : Uttar Pradesh : *Article* Prichha, 1976-77, p.95.

and students recorded an increase of more than two times. The index number of expenditure which was 299.3 in Third Plan (base 1950-51=100) declined to 30.3 but this again increased to 333.3 in Fourth Plan. Hence the index number showed a considerable increase during all plan periods.

The index number of enrollment of students increased from 141.3 and 171.9 (base 1950-51=100) in Third Plan to 225.3 and 247.3 in Fourth Plan respectively. It reveals that rate of progress in secondary education in comparison of expenditure had been slightly low.

of intermediate and higher education there were 1771 institutions in 1950-51. As to the establishment of 225 new institutions the figure increased to 1903 in Fourth Plan period. Enrollment of students in these classes increased from 417 thousand in Second Plan to 1,599,2016 and 2312 thousand in Third, Third and Fourth Plan respectively. As a result of the increasing enrolment in colleges, number of students per school increased to 156 in the last

year of Fourth Plan against 127 in First Plan. Population per college declined as a result of construction of many

TABLE NO. 4.25 : DEVELOPMENT OF HIGHER EDUCATION.

Base 1960-61=100

	INDEX NUMBER							
	Second Plan	Third Plan	Annual Plan	Fourth Plan	Second Plan	Third Plan	Annual Plan	Fourth Plan
1.A.(1)								
Number of Colleges	1771	2501	3012	4003	100	141.2	170.1	226.1
(11) Student (000)	912	1559	2016	2512	100	170.9	221.1	275.4
(111) Teachers (000)	36	56	70	91	100	155.5	194.4	252.7
B.Per college								
(1) Number of students	515	623	669	628	100	120.9	129.9	121.9
(11) Population	42	32	28	23	100	76.2	66.6	54.7
(111) Per teacher student	25	28	29	28	100	112	116.1	112.1
2. Expenditure on Higher Education	175	494	230	638	100	282.2	131.1	364.6

SOURCE : Uttar Pradesh Ki Arthik Samichha, p. 96.

new colleges it declined to 23 in Fourth Plan against 42 in Second Plan (Table No. 4.25).

Progress made in higher education in comparison to its expenditure had been quite satisfactory as the index number of expenditure in Third Plan was 282.2 increased to 364.6 in Fourth Plan, the index number of colleges was also increased in the same ratio i.e. it was 141.2 and 226.1 respectively. The index number of students which was 170.9 in Third Plan increased to 275.4 in Fourth Plan. The index number of students per college which increased upto 129.9 in Annual Plan against 120.9 in Third Plan declined in Fourth Plan to 121.9. Due to the establishment of many new colleges, number of students per college declined from 42 thousand in first plan to 23 thousand in Fourth Plan period. The index number of per teacher student almost remained stationary from 112 in Third Plan, 116 in Annual Plan and again 112 in Fourth Plan. (Table No. 4.25).

TABLE NO. 4.26 : PROGRESS OF DEGREE COLLEGES AND UNIVERSITIES
U.P.

Base 1960-61=100

					INDEX NUMBER			
1960-	1965-	1968-	1973-		1960-	1965-	1968-	1973-
61	66	69	74		61	66	69	74
1	2	3	4	5	6	7	8	9

1. Degree
colleges

Contd.

1	2	3	4	5	6	7	8	9
1. Degree colleges								
(i) Number of degree colleges	128	183	217	304	100	142.9	169.5	237.5
(ii) Students (000)	68	95	148	233	100	139.7	217.6	342.6
(iii) Teachers (number)	3444	5433	6986	9796	100	157.7	202.8	284.4
(iv) Per teacher student	20	17	21	24	100	85	105	120
2. Universities								
(i) Number of Universities	9	9	11	14	100	100	122	155
(ii) Students (Number)	34	46	59	66	100	135.3	173.5	194.1
(iii) Teachers (Number)	2248	3031	3763	4623	100	134.8	167.4	205.6
(iv) Per teacher student (Number)	15	15	16	14	100	100	106	93

SOURCE :- Uttar Pradesh Ki Arthio Samichha, p.97.

As far as students of Universities are concerned their number per teacher declined from 15 to 14 thousand.

As^a result index number per teacher also decline from 100 in 1960-61 to 93 in 1973-74. There were only 14 Universities in 1960-61 but by the end of Fourth Plan period their number increased to 19.

Increase in number of students from primary to degree colleges were recorded throughout the study period as a result of this literacy in U.P. increased from 10.8 to 21.6 percent from 1961 to 1971, but in comparison of India it was below the National level. The U.P. is second educationally backward state in India. As such the state did not make vigorous efforts to reach the all India level. U.P. State was spending 14 percent of its total revenue expenditure on education in 1960-61 and more than 20 percent in 1973-74 registering an increase of about 7 percentage point against a 4 percentage points increase in case of all states taken together. Despite the relatively high ratio the educational expenditure in absolute terms is still inadequate to meet requirements of the people in the state.

MEDICAL AND PUBLIC HEALTH :

Health is one of the most important social input. Public expenditure on health constitutes the core of the

'welfare state'. Medical and public health services give men a greater enjoyment of life by reducing mortality and sickness. It is an investment, yielding a return in earnings and out put it is to quoted the Guilleband Committee, "wealth producing as well as health producing", it can create the resources to pay for itself¹⁵". Medical and public health services by reducing death rate promote economic growth. These services increase production by reducing hours of work lost through sickness. It is true that more hours of work are lost through sickness than from any other single cause. Professor Lees had calculated that if all sicknesses were eliminated by some miraculous manifestation the effect would only be to increase the total labour force by one half or one percent¹⁶". In the field of public health, services, progress can be judged with reference to the total number of hospitals set up, including ---

TABLE NO. 4.27 A : GROWTH OF MEDICAL AND PUBLIC HEALTH SERVICES
IN U.A.

HEADS	1960-61	1965-66	1968-69	1973-74
No. of hospital	1992	2506	2762	3657
No. of Doctors employed	2765	—	—	5133
No. of Beds	19824	31858	35258	20152
No. of Patient treated (gross)	30907	35933	34587	39131

SOURCE : Uttar Pradesh Ki Arthik Samicchha, 1976.

15. Sandford C.F., Economics of Public Finance, p.73
Pergamon press, London 1961.

16. Lees, D.S., The economics of Health Services, Lloyds Bank
Review, April 1960.

dispensary and primary health services. Their number was 1992 in 1960-61, which rose to 3657 in 1973-74. Similarly the number of beds went up from 19824 in 1960-61 to 50152 in 1973-74 registering an annual growth rate of 11 percent. Qualified Doctors in public employment increased from 2765 in 1960-61 to 5133 in 1973-74. Number of patients treated increased by 8224 during the period from 1960-61 to 1973-74, whereas hospitals increased by 1665, doctors employed increased by 2368 and number of beds more than two times. The increase in number of patients treated had been less inspite of the rapid strides made by the state both in coverage and standard of health services, during the study period. This was due to the fact that proper medical facilities were not available to nearly 3/4th of the villages within a distance of 5 kms.¹⁷

In spite of substantial increase in the number of hospitals the fact remains that number of hospital per lakh of population remain three over the period of fourteen years i.e. 1960-61 to 1973-74 (Table No. 4.27 B). Number of beds just doubled during the same period.

17. Draft Five Year Plan, Vol.I, p.27.

**TABLE NO. 4.27 B : NUMBER OF MEDICAL AND PUBLIC HEALTH SERVICES
PER LAKH OF POPULATION.**

H E A D S	1960-61	1965-66	1968-69	1973-74
No. of Hospital & Dispansaries	3	3	3	3
No. of Beds	23	42	45	49
No. of Allopathic Doctors in Government employment	N.A	26	32	54

SOURCE : UTTAR PRADESH KI ARTHIC SAMICCHA, 1976.

The comparative picture of the health and medical care services in the state was far from satisfactory, as only 52 beds per lakh of population were available in allopathic hospitals in U.P. and 128, 178, 125, 102 and 101 beds respectively in Himachal Pradesh, Kerala, Maharashtra, Tamil Nadu and West Bengal in the year of 1973-74.

Doctor population ratio which was 1 : 9300 in 1960-61, declined to 1 : 8320 in 1968-69 and further to 1 : 6474 in 1973-74 due to the increase in doctors, whereas in India this ratio was 1 : 4430 in 1973-74. It means that U.P. was lagging behind India level. The nurses' population ratio in U.P. was 1 : 1600 in 1974-75 whereas in India it was 1 : 6400. This was far short of the modest target set by the

Muduliar Committee to provide one doctor for a population of 3500¹⁸.

The improvement in the general level of public health is reflected by a fall in the death rate which came down from 24.9 per thousand during 1960-61 to 13.0 per thousand during 1974-75¹⁹. This was due to the fact that epidemics like Cholera, Small pox, Plague and T.B. which used to take a heavy toll of life are no longer. For improving the health of the masses, it is an essential device which will improve sanitation water supply provision of safe potable and adequate drinking water to the masses is a basic necessity. It has been observed that in cities and towns where piped water supply has been introduced, death rate due to gastro-enteric fever cholera and dysentery had come down considerably. In fact there are more diseases which are water born than those which are filth borne. By the end of 1968-69, 144 towns and 134 villages served through water supply which increased to 180 and 3824 respectively in 1973-74. Beside this 31,682 towns and villages lack adequate drinking water facilities. However due to the paucity of funds it was not possible to take up new schemes and to cope with the need.

Moreover health policies were insufficient and inequitable. Major portion of the population live in the rural areas, only 14 percent of hospitals, 20 percent of doctors

18. Report of the health survey and Planning Committee Ministry of Health, New Delhi, 1976.

19. World Health Organisation, 1976.

and 17 percent of hospital beds were located in villages which were hopelessly inadequate. About 40 percent of the population in rural area went without any medical facilities. Hospitals in cities were found over crowded. Studies in India have shown that there was a concentration of doctors up to 80 percent in urban areas where only 20 percent of population live.²⁰ The rural areas could not claim even one doctor for 15000 population, although the national average was 1 : 4370. The maldistribution was attributed to absence of amenities in rural area, lack of job satisfaction, professional isolation, lack of rural experience and inability to adjust to rural life. For rendering effective health services it was therefore essential to ensure proper distribution of doctors in the community. "good for many" rather than "best for the few" should be the byword in health services. An assessment of the available resources, their proper allocation and efficient utilisation was important considerations for providing efficient health care services. In most developed countries, expenditure on health services lies between 6 to 8 percent of gross national products²¹. In India the Government expenditure on health services in 1970-71 accounted for 3 percent of total expenditure²². U.P. State government spend 0.8 percent of its

20. World Health Organiser 1974.

21. Government of India(1973) Sawasth Hind p,323.

22. Times of India, January 16, 1975.

state domestic product. Whatever resources were available, they might have been put to the most effective use with an eye on maximum output of result for minimum investment. Resources are desperately short in the health sector in all poor countries. What was important, was to employ suitable strategies to get best out of limited resources.

The employment situation has not been satisfactory in the country for the obvious reason that the growth in employment opportunities could not keep pace with the increase in labour force from year to year. Uttar Pradesh with 88.3 million population according to 1971 census is the most populous state, accounting for 16.1 percent of the total population in the country²³. The population of the state in 1961 when the Second Five Year Plan started was 73.7 million which was growing at a rate of 1.6 percent per annum. Increase in population has a two dimensional effect on the economy of the state. While it provides human resources to support development, the value of such an increase is offset, if the proportion of non-working population also increases.

While in 1961, 53.2 percent of the total population was in the working age group of 15^{to}59 years, this proportion

23. Draft Five Year Plan 1978-83 and Annual Plan 1979-80
Uttar Pradesh Planning Department, January 1979.

decreased to 51.4 percent in 1971. The employment in organised sector of the U.P. state increased from 18.71 lakhs in 1971 to 20.62 lakhs in 1974. Employment indices (1971=100) also increased from 100 to 110 during the same period as given in the following table.

TABLE NO. 4.28 : EMPLOYMENT IN THE ORGANISED SECTOR OF THE STATE

Year (as on March 31)	Employment in Lakhs	Employment indices (1971=100)
1971	18.71	100
1972	19.37	103
1973	20.32	109
1974	26.62	110

SOURCE : Draft Five Year Plan 1978-83, January 1979.

Alongwith the increase in employment of organised sector of the state, increase was also registered in case of unemployment. There are two sources which throw some light on the unemployment situation in the state from time to time. There are live register statistics about the number of persons registered for jobs in employment exchanges and the data available from the various rounds of the N.S.S. Although data from both these sources suffer from serious conceptual and coverage limitation, it does throw some light on the trends

TABLE NO. 4.29 : UNEMPLOYMENT SITUATION IN U.P. ACCORDING TO LIVE REGISTER STATISTIC.

YEAR	Number (in lakhs)	Index Number
1968	2.95	100.00
1969	2.92	98.98
1970	3.39	114.92
1971	4.23	144.07
1972	6.01	203.73
1973	8.10	274.58
1974	8.08	273.90

SOURCE : Draft Fourth Five Year Plan and Annual Plan, Vol.I, January 1979.

in the employment market of the state. The data of employment exchanges show that the incidence of unemployment has progressively risen from 2.95 lakhs in 1968 to 8.08 lakhs in 1974., as it is evident from the above table.

The statistic available from N.S.S. also indicated an increasing and more deteriorating employment situation in U.P. as according to 27th round in 1973 unemployment rate as percentage of population aged 5 years and above was 1.38 which increased to 2.28 to 1977. On thing interesting to

note that unemployment in rural areas was much more than urban areas. In 1973 unemployment rate as a percentage of population was 0.47 in rural areas whereas in urban areas unemployment rate was 0.91²⁴. Unemployment in education section also joined the ranks of unemployment. This was the result after making efforts to absorb labour force into productive and gainful employment.

While these schemes were judged on the basis of purely economic consideration it was found that these had been possible adverse effects on the level of production in country, adverse effect on the growth of saving and investment, impetus to further inflation, likelihood of workers resorting to malingering and so on. These schemes, however, were not much effective to attain the objective of social security and fulfil the spirit embodied in the Directive Principles of state policy which emphasis the need of promoting the welfare of the people, especially of those who were socially and economically backward.

Our planning primarily lacked in the recognition of the imperative need for creating the maximum possible opportunities for gainfull employment. Therefore, public work schemes were not fully organised on a big scale in rural areas,

24. Unemployment and Planning, Sawarajya, Economic Times, 1978, December 16.

cottage and small scale industries were not expended sufficiently, it is to be realized that men are more important than machines and that investment in man plays greater dividend than investment in machines, labour intensive programmes like minor irrigation, soil and water conservation, improvement of communication and development infrastructure, which also form a part of the area development plans, would have created employment opportunities for the local population and would have also helped in giving work to the under-employed.

After highlighting the pace of development in U.P. since 1960-61, we notice that some progress had been made in each and every sphere of the economy but in very slow way. As a result the percapita income which is the most important indicator for measuring the pace of development showed a declining trend with certain fluctuations. It was always lagged behind the national level throughout the period. Its percentage share to India also showed a declining trend.

Pace of development in case of education, medical and public health services, road transportation industry and mining was far from satisfactory. The progress made in agriculture sector was satisfactory to some extent in comparison to India, but not with respect to the expenditure

made in this sector as the index number of expenditure was more than the index number of production. But the increase in production of foodgrains remained disappointing despite the fact that the agricultural sector had been within priority group with the purpose of development. Progress in field of education was recorded in every sphere as a result of this literacy increased from 10.8 to 21.6 percent from 1961 to 1971 but in comparison of India it was below the national level. As U.P. is the second educationally backward and most populated state, expenditure made on this head was inadequate to meet the requirements whereas Kerala, Maharashtra, Punjab educationally advanced and less populated state spend more of its state domestic production in comparison to U.P.

A decline in the total industrial production was registered during the study period. In spite of massive efforts to improve this sector the decline was due to the inadequate investment. Industry contributed 12 percent of state domestic product in the last year of study period but the state government did not spend more than one percent of its total yearly revenue expenditure on their development. On the assessment it has been found that much progress had been made in field of power and irrigation, even then a lot remained to be done to bring the benefits of these schemes to the masses and to accelerate the pace of

development atleast to the India level. The study showed that U.P. was lagging much behind the India level. Since the natural calamities are a regular feature of U.P. state which requires more and more funds for meeting emergencies especially for irrigation and power in case of draught. The study on power presented the situation below the mark. There were thousand of villages in the state without the facilities of power.

Inspite of the substantial increase in the number of hospitals the fact remained that the number of hospital per lakh of population remained three during the 14 years of study period. The comparative picture of health and medical care services in the state was far from satisfactory. However due to the paucity of funds, fault administration and carelessness in responsibility it was not possible to cope with the need. Number of doctors in U.P. over the period under study showed a considerable increase but by 1972 rural areas could not claim even one doctor for 1500 people. against "Good for many" rather "best for few" should be the slogan of health services. U.P. spent a large percentage of its development expenditure on the improvement of social services but the pace of development behind many states remained in this field. In the starting period of our study i.e. 1960-61 there were 1.9 million people

unemployed who were nearly one fourth of the total unemployed persons in the country and by the end of the period i.e. 1973-74 this figure increased to 6 million. As a result of low progress and in some cases declined production of the per capital income also declined. A comparative study of percapita expenditure and income showed that the rate of increased in expenditure had been more than the rate of percapita income it can thus be seen that the income elasticity of demand for publicly provided goods and services might be greater than unitary

C O N C L U S I O N

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The economic system in our country is mixed. Economic activities in the country is conducted by the private sector as well as by the public sector. With the advent of Five Year Plan and constitution, expenditure had recorded an impressive growth. A considerable share of State's domestic product goes towards the satisfaction of public and social wants. The state expenditure of U.P. had increased its share in S.D.P. from Rs 8.5 to 12.4 during the period of 14 years (i.e. 1960-61 to 1973-74). Much of the rise in public expenditure was due to the increasing participation of the Government in economic activities. The same upward trend occurred in most of the advance states. According to Mrs Hick, the expansion of public activities is now a universal phenomenon. The enormous increase in public expenditure conforms the Manger,s "Law" which states that for growing economies the share of all major government expenditure increases.

Not only the magnitude of public expenditure increased but its pattern has also undergone a great change. Some traditional items had lost their relative importance and some items recorded an improvement. The growth in public expenditure had not been of a uniform nature. Indeed, it had been quite unevenly distributed, not only over time but also over the various functions. For example expenditure on economic and social services increased but social services registered the highest increase and accounted more than 43 percent of total development expenditure ^{in 1973-74} against 30 percent in 1960-61. The relative importance of economic services had

suffered on erosion, their share in total development expenditure declined from 70 to 57 percent.

But what is important to note is that not all economic services had lost their relative importance. Some services had even recorded an improvement, such as, water and power development, agriculture and allied services. Both these taken together occupied a unique position and absorbed the major portion of expenditure. This was a clear indication of the high priority given by the state to agricultural sector. Water and power development was a case in point. Its share to total expenditure increased from 12 to 21 percent from 1960-61 to 1973-74. The bulk of expenditure on this head was on capital account. In terms of total expenditure on economic services, expenditure on industries and minerals remained almost static, whereas, expenditure on transport and communication declined. This is not an appreciable fact as this is most important infrastructure for the economic development. Government spent largest amount of its revenue expenditure on education. It accounted more than 20 percent in 1973-74 against 13 percent in 1960-61. In comparison to all states taken together Uttar Pradesh spent larger amount of its S.D.P. on education. More expenditure was made on primary education than secondary. U.P. state spent not even one percent of its state domestic product on medical and public health services whereas all states taken together spent more than one percent on these services. U.P. is the most populous state with poverty but its per capita expenditure on medical and public health

services was less than all states taken together.

Public expenditure on general services are incurred for the provision of the basic administrative structure of the state. As the things stand now, these services accounted 10 percent of the total revenue expenditure. This was markedly smaller than what it used to be in, say the early sixties i.e. 18 percent. It registered a decline of 8 percentage points whereas all state taken together remained stationary during 1960-61 to 1973-74. Uttar Pradesh spent 0.9 percent income on civil administration in 1973-74 against 1.3 percent 1960-61. A fast decline in the percentage share of civil administration was not a good sign because of the fact that with decline in its cost, the quality and the standard of efficiency of general services also declined. The law and order situation had been very bad for the past few years. Corruption had become rampant and the state administration almost immobile although, the primary objective of expenditure on general services is to enable the state machinery to respond to the needs of the people more effectively and efficiently.

The most important finding of the study is the impressive rise in interest charges on non-development account. U.P. government spent its major portion of revenue expenditure by way of interest charges. The highest percentage of U.D.F. went out in the form of interest charges. The interest payment had substantially increased primarily because of a progressively increased amount of debt incurred and interest rates. Nearly 60 percent of

of state's own revenue went out by way of interest charges against 36 percent in case of all state's taken together in the year 1973-74. It imposed heavy strain on the state's own tax revenue and a very less amount was left to meet the welfare need of the society.

Uttar Pradesh performance had been satisfactory as its largest per capita expenditure was made on water and power development whereas, all states taken together spent their major portion in per capita terms on interest charges a non-development item.

The important conclusion drawn from the above functional analysis of expenditure is that U.P. being a poor and most populated state spent less expenditure in terms of per capita and S.D.P. in most of the years over the period and most of the fields in comparison to all states taken together. This means that public expenditure did not necessarily moved in a definite direction or in a predictable manner with respect to its requirement. This happened mainly due to the low level of investment. Though 17% population of the country lives in U.P., yet the total investment in U.P. during the second plans was only 7.2 percent while in Third Plan it was a little less than 10 percent of the total investment in the country and in fourth plan less than 15 percent.

The state also failed to raise its ^{adequate} resources. There was no proper relation between the total revenue and total expenditure. In the words of Martin and Lewis "where the variation in expenditure may not have effected the variation in revenue it resulted

in form of "revenue constraints". Low per capita income and low per capita taxation also put a constraint on the rapid economic development of the state.

The failure of the tax system to collect the additional revenue can be judged from the fact that while the agricultural sector contributed about 60 percent of national income in 1973-74 but this sector did not contribute one percent of it to total revenue. This was due to the fact that the agricultural sector (particularly its well to do section) remained very much under taxed as compare to non-agricultural sector. This sector should have contributed a reasonable proportion of its income to the expanding public expenditure in general and non-agricultural in particular.

In order to yield more revenue, there was an urgent need to eliminate tax evasion that existed to a large extent in case of sales tax. Uttar Pradesh government collected 53 percent more taxes in 1967-68 over 1965-66 without any increase in its rate, mainly as a result of improvement in administration. By checking the tax evasion, about 10 to 20 percent the tax revenue may be derived by state government. This system of land revenue needs a complete overhauling for its speedy progress. It was inelastic and insufficient in its contribution to the development expenditure.

Non tax revenue particularly state enterprises and other commercial undertakings were not sufficient for financing development expenditure. Many of it incurred losses, particularly irrigation

and electrification scheme. The state has large potentials of increasing its revenue provided that there should be a simple and efficient machinery to do so. There was a need to prevent undue expansion in government expenditure in many field to bring about increase in revenue.

Borrowing from centre played a very important role in financing the expenditure of capital nature. Though its percentage share to total receipts declined by 13 percentage points, despite this decline it contributed 50 percent to total capital receipts in 1973-74. This was due to the fact that U.P. needs enough financial resources for the efficient performance of functions. But the resources allocated to State were not enough to fulfil the responsibilities assigned to her. Since the centre holds the most elastic and productive sources of revenue, the increased devolution of resources from Centre to State was essential. But the demerit of her dependence on the Centre was that it slackened tax effort by the state government. During the Fourth Plan period, out of total revenue of Rs 77155 lakhs only 14.1 percent was raised through additional tax efforts by the state.

From the intensive study of budgetary structure of the state it is apparent that no significant change had taken place in the structure of U.P. budget except that non-development expenditure was shifting to development expenditure both on revenue and capital account. The most striking feature is that in 1960-61, 54 percent of the state's own revenue was formed through tax revenue and 46

46 percent through non tax revenue; but in 1973-74 this structure had been reversed.

In magnitude the size of revenue expenditure and receipts increased by about five times. But in most of the years the size of expenditure could not match the size of revenue expenditure and it was resulted either in deficit or surplus. U.P. had a surplus in 7 years out of 14 years as study whereas, all states taken together had a surplus in six years. Thus, the position of U.P. on revenue account in comparison with all states had been slightly better. The size of capital receipts increased by 6 times, whereas in case of all states taken together it was only four times more. The highest increase was recorded in U.P. during the period of Third Plan. As far as the size of total disbursement is concerned it increased 8 times against more than four times increase in case of all states taken together. Due to the increase in total disbursement in most of the years, U.P. had a deficit budgets in eight years during the study period whereas, in case of all states taken together it was in nine years which shows that the relative performance of U.P. was better in comparison with all states taken together. Fourth Five Year Plan was worst for U.P. when it had four deficit budgets in 5 years.

In magnitude there was an increase of about five times more in the size of revenue budget and by six times in the size of capital budget. It shows that government gave more importance to capital formation in the state. The total size of the budget increased by more than five times. The proportion of the state budget to the state income increased from 11 percent in 1960-61 to 16 percent in

1973-74. The overall budgetary position of U.P. state was better as indicated by cash balances. It had a surplus budget during 7 years out of 14 years whereas, all state taken together had a surplus budget only in five years.

The overall surplus position of U.P. had also been better in comparison with all state taken together. U.P. had a surplus budget in 8 years against 4 years surplus budget in case of all states taken together. It was a good indication for making an effort on the part of the state to secure and maintain such condition.

Annual review of the U.P. budgets leads to some important conclusion. The significant feature was the ever increasing importance of sales tax followed by motor vehicle tax, entertainment tax and losing importance of land revenue throughout the period. The Government made efforts to raise tax from land revenue and induced some new taxes such as surcharge on local bodies, land development tax on rich farmers and tax on urban buildings with effect from July 1962. But these taxes were abolished in 1967 due to insufficient revenue. U.P. Government also imposed a tax on profession with effect from April 1966. There was no provision for granting relief for a similar tax paid to local bodies and there was thus double taxation and insufficient revenue from this tax. As a result it was abolished in April 1971.

From the intensive study of economic development in U.P., it is apparent that progress had been made in each and every sphere but in a very slow way. As a result the per capita income which is the most

important indicator for measuring the pace of development showed a declining trend. As far as state's per capita and total income is concerned it was lagging behind all India Level throughout the study period of 14 years. The comparative study of U.P. with individual states showed that in 1960-61, the per capita income was lowest in Bihar followed by U.P. Though U.P. had improved it's per capita income in 1965-66 and in 1968-69 but in 1973-74 it reached the same level as it was in 1960-61.

The progress in the economy of U.P. is largely linked with growth in the agricultural sector which contributed about 62 percent to the total state income in 1973-74. To increase the pace of agricultural production the state government used improved varieties of seed, intensive cultivation and adoption of package of cultivation practices. As a result of all these massive efforts the production of agriculture increased, but as there occurred simultaneously a population explosion, the per capita production of food grains did not show any improvement. In 1973-74 over 1960-61, the per capita production registered a decline of 30 tonnes. The total production of agricultural commodities in U.P. has not shown a satisfactory progress as compared to its total expenditure. The production was less than the expenditure during Third and Fourth Plan period.

Much progress had been made in ^{the} field of power and irrigation. Still a lot remained to be done to bring the benefit of these schemes to the masses and to bring the pace of development at India level.

The study showed that U.P. was much lagging behind the national level. Natural calamities were a regular feature of U.P. state which required more and more funds for irrigation and power. The study on power presented an extremely unsatisfactory position. There were thousands of villages in the state without the facilities of power. The plans or projects should have been drawn up in a realistic manner so that false promises and hopes may not be given to people.

The aim of Public expenditure policy is to reduce inequalities of income and wealth through an equalisation of educational and medical facilities. An analysis of educational development during the 14 years reveals that education system has not geared itself to meeting the needs of our growing economy. Most of the U.P. population live in rural areas, but the number of schools in rural areas were less. According to 1971 census 47 percent literacy was found in urban areas whereas 18 per cent in case of rural population. The U.P. is the second educationally backward and most populated state in India. It spent less in comparison to many educationally advanced states. The U.P. state government should have seen that the expenditure was made according to the criteria of a sound investment.

The broad objective of the health and family planning programmes has been to expand health services to bring about progressive improvement in the health of the people in general and particularly of poor people. The state government did not succeed to achieve this objective. In rural areas where major portion of the population lives, public health amenities were hopelessly inadequate. Hospital in cities are over crowded. Number of doctors in U.P. over the period under study showed a considerable increase but by 1974 rural areas

could not claim even one doctor for 1400 population, "Good for many" rather than "best for few" should have been the by-word in health services. In spite of the substantial increase in the number of hospitals, the fact remained that the number of hospitals per lakh of population remained three during the 14 years of study period. The comparative picture of health and medical care services in the state was far from satisfactory. However, due to the paucity of funds, faulty administration and carelessness in responsibility it was not possible to cope with the need.

Pace of development in case of education, medical and public health services, road transportation industry and mining was far from satisfactory. A decline in the industrial production was registered during the study period of fourteen years. This decline was due to the inadequate investment and massive efforts to improve this sectors. Industry contributed 12 percent of state domestic product in the last year of study period but the state government did not spend more than one percent of its total yearly revenue expenditure on their development. Total expenditure at constant prices grew at a rate of 10 percent on an average while the total output grew at only 2 percent. The difference between the rate of growth of total output and government expenditure can be to a great extent, if not entirely, accounted for by the 'Productivity lag'.

APPENDIX TABLE NO. A.1 : DETAILS OF REVENUE EXPENDITURE.

(In Lakhs)

I T E M S	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
1) Total Development Expenditure	5114	7010	8664	9761	10891	11991	13356	14783	14915	20220	18119	22682	24975	25907
2) Education	1780	2379	2601	2786	3384	4474	4583	5365	6142	7948	7503	9359	11163	13051
3) Medical & Public Health services	740	877	1077	1096	1426	1568	1931	2016	2413	3030	3246	3336	4179	4982
4) Agriculture	415	850	1027	1121	1278	1431	1759	1851	1361	2092	1679	2030	1918	2012
5) Animal Husbandry	184	---	---	---	---	---	---	476	439	445	539	251	685	904
6) Cooperation	178	---	---	---	---	---	---	285	171	273	196	278	380	313
7) Rural & Community Development	866	830	1010	922	1007	1131	1053	882	848	991	831	1419	1932	2777
8) Civil works	519	668	837	789	931	1008	1567	1545	1333	1788	1836	2824	1571	N.A.
9) Industries	292	317	385	432	347	259	228	903	848	317	314	313	551	658
10) Irrigation	567	682	662	671	748	739	849	985	N.A.	1136	1146	1211	1551	1767
11) Electricity Scheme	126	149	217	174	---	---	---	---	---	---	---	---	---	---
12) Road Transport & Communication	798	883	1084	1216	1168	1669	1741	1782	1815	1850	1901	1941	1990	2074
13) Forests	310	349	396	430	533	587	624	664	693	736	736	831	952	1093
14) Natural Climate	205	176	106	137	82	76	87	477	125	572	416	1221	1648	2184
15) Non-development Expenditure	8014	6593	7535	8653	9033	10000	11648	13109	14449	16419	16059	20922	22732	23267
16) Civil Administration (a to c)	2363	2436	2845	2884	3128	3754	3510	4219	4786	5335	5029	5424	5750	6340
a. General Administration	709	962	---	---	---	1492	1422	1495	1495	1622	1547	1622	1531	1676
b. Police	1071	1147	---	---	---	1613	1698	1615	2337	2669	2560	2746	3136	3221
c. Jails and Justice	583	347	---	---	---	647	715	845	934	1044	932	1059	1063	1343
17) Collection of taxes and duties	968	823	837	1017	1160	1271	1423	1681	1762	1983	1902	1984	2122	2162
18) Interest on Debt services	1226	1618	2555	2780	3108	3483	4992	5207	6335	6986	6964	10242	11082	12391

(a) Includes expenditure on animal husbandry and cooperation.
(b) Includes appropriation for reduction or avoidance of debt.

ANNEXURE TABLE NO. A.2 : DETAILS OF CAPITAL EXPENDITURE

(Rs in lakhs)

S. No.	ITEMS	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
I-CAPITAL OUTLAY(1+11)															
(1)Development Expenditure	2503	3641	4013	3825	4277	103	3901	4603	7343	3954	6174	7998	9145	17201	
Multipurpose River Valley Schemes	-	-	-	-	-	-	-	953	1828	1000	1200	1462	1500	2248	
Electricity Schemes	579	431	746	920	1002	1454	1973	2543	3092	3997	4738	4969	6122	6991	
Agriculture Improvement and research	163	219	174	2	91	104	91	443	2426	1206	-364	-593	-397	2351	
Building roads and water works	866	1060	1477	1578	1521	1754	1374	1035	1299	1674	1839	2344	2705	2742	
Industrial Development	98	250	384	438	213	235	345	1245	997	834	1035	1452	1282	1060	
Irrigation and Navigation	797	824	1444	1440	2199	2647	1656	922	1039	1401	2175	3439	3272	6109	
(11)Non-development Expenditure	60	227	128	59	51	424	159	509	865	43	1	591	119	17	
II-DISCURGE OF INVESTMENT D.B.F	680	586	790	1115	1023	511	705	1180	1193	1933	1161	1310	957	567	
III-REPAYMENT OF LOAN TO F.I.C. GOVT	1064	1599	1913	1646	2333	5416	2754	4000	7015	7035	7720	6900	7080	9741	
IV-GRANTS AND ADVANCES BY STATE GOVERNMENTS	1647	2653	2185	2772	5099	13570	7576	9974	9518	8605	9542	13215	13599	11402	
V-REPAYMENT OF LOANS TO AUTONOMOUS BODIES	25	39	51	50	47	80	68	70	93	120	115	120	129	-	
TOTAL DISBURSEMENTS (a)	3859	7235	9030	9345	13069	17272	19252	20216	25719	21769	24720	30938	27141	40161	

(a) Include expenditure under miscellaneous head.

SOURCE : Reserve Bank of India, Bulletin various issues.

APPENDIX TABLE NO. A.3 : Tax Structure of U.P. Budgets since 1960-61 to 1973-74.

(Rs in Lakhs)

S. No.	ITEMS OF TAXES	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
	TAX REVENUE	8672	10168	10339	12251	13164	15092	17951	18390	20594	20865	25361	31296	31635	41926
A. Taxes on Land Income															
1)	Agriculture Income tax	84	61	46	36	18	32	30	33	23	30	27	14	15	12
2)	Land Revenue	2174	211	2215	2757	2031	2410	2707	-	2431	2234	1611	600	865	2020
3)	Surcharge on Land crops														
4)	Stamp and Registration	492	500	514	616	748	801	809	1046	1093	1051	1231	1797	1666	1553
5)	Urban immovable tax	-	-	-	-	117	198	284	96	154	10	100	29	15	15
6)	Taxes on Commodities and services (7-15)	2945	4560	4227	5866	6737	7926	9324	8495	9566	8715	10297	13021	12322	14367
7)	Sales tax (i to iv)	1642	-	-	-	-	-	-	4758	5102	4710	5487	7050	6860	8131
i)	General Sales tax	1082	1302	1370	1608	2111	2485	2538	3803	3848	3489	4132	5333	5210	6150
ii)	Central Sales tax	88	-	-	-	-	-	-	-	347	360	365	509	550	650
iii)	Sales tax on Motor spirit	46	135	130	200	205	247	225	243	456	386	490	648	600	730
iv)	Purchase tax on Sugarcane	426	-	-	-	-	-	-	612	451	475	500	560	500	601
8)	Motor Vehicles tax	322	343	343	368	413	442	482	529	579	526	758	941	929	1028
9)	Entertainment tax	158	172	172	215	276	327	338	457	544	500	601	867	895	948
10)	State Excise Duty	758	842	766	978	1260	1423	1457	2010	2445	2244	2590	2728	2329	2769
11)	Electricity Duty	64	69	62	64	75	89	76	104	125	104	121	444	267	430
	Share in Central taxes	2977	2936	2837	2956	3513	3725	5081	6106	7195	7448	11904	15725	16722	19364
	Income Tax	1423	1525	1993	1412	1782	1776	1905	2581	2849	2667	5335	7242	7179	7988
12)	State Duty	49	65	63	63	112	112	125	19	94	117	116	122	110	1422
13)	Union Excise Duty	1246	1346	1481	1656	1619	1838	3051	3506	4252	4464	6453	8361	9433	10762
	of which additional duties	259	-	-	-	-	-	-	-	687	749	921	1499	2077	1952

SOURCE : Reserve Bank of India Bulletin various issues

I T E M S	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
1. Non Tax Revenue	4860	4838	6006	6173	8108	9168	9956	11520	11395	12361	13681	13416	14253	24794
2. Administrative Receipts	885	848	784	996	1141	1194	1318	2195	1513	1521	1555	1792	1819	1971
3. Net Contribution of Departmental undertakings (I to VII)	141	816	960	1013	1233	1226	1334	221	441	- 639	232	- 403	- 414	6429
i) Forests	567	422	352	395	628	840	687	1087	1214	928	1178	1654	1553	2737
ii) Multipurpose River Valley Schemes	-	-	-	-	-	-	-	- 207	- 275	- 307	- 398	- 484	- 568	- 615
iii) Irrigation Commercial	302	-	-	- 118	-	-	-	- 819	- 823	- 1237	- 896	- 1703	- 1455	- 1936
iv) Electricity Scheme	- 126	-	123	- 161	- 67	-	-	- 1	-	-	-	-	-	-
v) Road & Water Transport Scheme	231	196	272	-	251	285	245	160	-	-	-	-	-	-
vi) Industries	- 19	- 19	52	-	- 7	- 20	38	-	-	-	-	-	-	128
vii) Irrigation (Non-commercial)	30	179	161	170	294	121	687	1	-	-	-	1	1	1685
4. Receipts from other Public undertakings (i to ii)	270	-	-	-	-	-	-	35	2147	1633	2798	2337	2652	3182
i) Interest	269	-	-	-	-	-	-	-	2093	1595	2703	2203	2457	2955
ii) Dividend	1	-	-	-	-	-	-	35	54	64	95	154	195	227
5. Interest Receipts (i to ii.)	889	-	-	-	-	-	-	3417	2001	2238	2520	2648	2966	3344
i) From Departmental undertakings	606	-	-	-	-	-	-	-	1237	1363	1625	1811	1899	2198
ii) On Loan & Advances by State Government	193	833	-	-	-	-	-	-	692	791	344	738	1030	1114
6. Others	85	-	-	-	-	-	-	-	72	84	51	99	37	37
7. State Lotteries	-	-	-	-	-	-	-	-	29	100	72	59	200	-
8. Other Non-tax Revenue	504	883	1961	1572	2234	2714	2964	486	467	573	465	618	554	1063
9. Grants-in Aid & Other Contribution	2141	2291	2796	2595	3500	4034	4340	4962	4792	6908	5960	6329	6425	9340

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